

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

PETER S. DAVIS, as Receiver of)
DenSco Investment Corporation, an)
Arizona corporation,)
)
Plaintiff,)
)
vs.) NO. CV2017-013832
)
CLARK HILL, PLC, a Michigan limited) ***CONFIDENTIAL***
liability company; DAVID G.)
BEAUCHAMP and JANE DOE BEAUCHAMP,)
husband and wife,)
)
Defendants.)

ORAL DEPOSITION OF
YOMTOV SCOTT MENAGED
SEPTEMBER 23, 2019
Volume 1 OF 2

ORAL DEPOSITION of YOMTOV SCOTT MENAGED,
produced as a witness at the instance of the Defendants
and duly sworn, was taken in the above-styled and
numbered cause on September 23, 2019, from 9:09 a.m. to
3:42 p.m., at the La Tuna Federal Correction
Institution, Anthony, Texas, pursuant to the Arizona
Rules of Civil Procedure.

Reported by:

Rhonda McCay, CSR, CCR, RPR, CLR

A P P E A R A N C E S

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ALSO PRESENT:

Dr. Erin Nelson

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1 YOMTOV SCOTT MENAGED,
2 having been first duly sworn, testified as follows:

3 EXAMINATION

4 BY MR. DeWULF:

5 Q. Please state your name for the record.

6 A. Yomtov Scott Menaged.

7 Q. Mr. Menaged, my name is John DeWulf. I'm
8 counsel for the defendants, Clark Hill and David
9 Beauchamp, who have been sued by the receiver for
10 DenSco.

11 MR. STURR: John, can we just for the
12 record who is here? There is no videographer.

13 MR. DeWULF: So John DeWulf, counsel for
14 defendants. Marvin Ruth, counsel for defendants.
15 Dr. Erin Nelson, expert for defendants.

16 MR. STURR: Geoffrey Sturr, representing
17 the receiver. Geoffrey is G-e-o-f-f-r-e-y.

18 Q. (BY MR. DeWULF) So let me take you through
19 some things that may make this easier and more
20 efficient. You are under oath to tell the truth. You
21 understand that?

22 A. Yes.

23 Q. So you're subject to the laws of perjury, as is
24 anyone under oath. Do you understand that?

25 A. Of course.

1 Q. The goal here is to explore with you some of
2 the things you know and remember about critical facts
3 that kind of form the basis for the litigation that
4 we're defending.

5 And so I'm going to try to ask you
6 questions that you understand. But if I ask you a
7 question you don't understand, would you let me know?

8 A. Yes.

9 Q. Now, if you answer a question I asked you, I'm
10 going to assume you understood what I asked you. Is
11 that fair?

12 A. Yes.

13 Q. All right. We'll have to extend to each other
14 the courtesy of allowing the other to complete speaking
15 before the other speaks because it's hard for the court
16 reporter to take down more than one person speaking. Do
17 you understand that?

18 A. Yes.

19 Q. I usually take a break about every hour or so.
20 But whatever you wish. We're here really -- and you're
21 making an accommodation to us. I understand that. So
22 if you want a break more frequently -- and I know we're
23 going to have to talk a little bit about logistics in
24 terms of lunch and that kind of thing. Whatever you
25 prefer. You know, we can go off the record about that.

1 Let me talk first about things we spoke
2 about off the record. And maybe what I should do is ask
3 this be marked as an exhibit.

4 (Exhibit 1131 marked)

5 Q. I'm showing you the protective order that's
6 been entered into in our litigation. You see that the
7 lawsuit has been brought by Peter Davis, as receiver,
8 against Clark Hill, my client, and David Beauchamp, my
9 client.

10 And we discussed off the record,
11 Mr. Menaged, the fact that this is a court document
12 which allows counsel and witnesses to deem portions of
13 testimony confidential. And the language is fairly
14 general as to what can be deemed confidential.

15 You've expressed to us, before meeting with
16 you today for the deposition, your concern that some of
17 the things you might get asked about, if it were shared
18 with people outside of this place, could hurt you or put
19 you at risk. Is that fair?

20 A. Yes.

21 MR. STURR: Excuse me. Object to the
22 form.

23 Q. (BY MR. DeWULF) And so we are amenable to
24 deeming this entire deposition confidential, but
25 opposing counsel and counsel for the receivers is not

1 willing to do that, not willing to stipulate.

2 As we've shared with you, at the end of the
3 day, the judge in our case will make a determination of
4 whether it justifies being considered confidential and
5 is limited in terms of who can see it.

6 MR. STURR: John, before you go further,
7 since you're putting this on the record, it's fair to
8 ask my position. May I state it?

9 MR. DeWULF: Sure.

10 MR. STURR: The receiver's position is that
11 the stipulated protective order calls for the
12 designation of confidential materials only to the extent
13 allowed by law. The request was made to subject the
14 entire deposition to the protective order without
15 limitation. The receiver has declined to do so.

16 The receiver has informed defendants'
17 counsel and the witness that the receiver will consider
18 any portions of the deposition that the witness should
19 so designate as confidential to be confidential and
20 consider whether those designations meet the
21 requirements of the protective order.

22 MR. DeWULF: You finished?

23 MR. STURR: I am.

24 Q. (BY MR. DeWULF) So, Mr. Menaged, we have, in
25 another instance, deemed another entire deposition

1 confidential by stipulation of counsel.

2 MR. STURR: Object to form and
3 foundation.

4 MR. DeWULF: Wasn't Ranasha Chittick
5 treated as totally confidential?

6 MR. STURR: John, if you want to do this on
7 the record, I will. There was a request to designate
8 that deposition as confidential because your client has
9 been inquiring about Mr. Chittick's infidelities.
10 Ms. Chittick's counsel asked to subject the deposition
11 to a protective order to protect her children. That is
12 why that request was granted.

13 MR. DeWULF: My statement stands, that we
14 agreed to treat it as confidential.

15 Q. (BY MR. DeWULF) As you expressed to us, part
16 of your concern is that the receiver has been publishing
17 everything on a website for the public to see. So
18 you're concerned the information wouldn't be limited
19 just to counsel and parties but also to anyone that
20 chooses to go on that website?

21 MR. STURR: Object to the form of the
22 question.

23 A. Let me stop you right there and let me go on
24 the record and make this clear. And I'll make it very,
25 very simple.

1 My son has been harassed by this stupid
2 website of yours. Everything that goes on that website
3 goes to his friends, family members, addresses, school
4 records. I'm not doing that. I'm not doing this to my
5 child.

6 I put myself at risk in federal prison by
7 going on the record and talking about any of this stuff,
8 whatsoever.

9 I asked, as a courtesy, to put this whole
10 thing as restricted to protect my family. That's my
11 number one concern. Like Ranasha Chittick needed her
12 family protected, I need my family protected.

13 If you can't understand that or Mr. Davis
14 can't understand that, then you're going to get a
15 limited deposition. That's all this really comes down.

16 I'm going to do everything I can -- so many
17 attorneys who I have spoken to about this, just
18 consulted with me, have told me I shouldn't even do it.
19 There is absolutely no reason for me to do this
20 whatsoever. I'm still here doing it.

21 I absolutely assure you, I'm not going to
22 put my child at risk. American Greed episode came out a
23 week or two ago. That put my son in danger. It's
24 enough now.

25 I have a lot of information that I believe

1 you want. I believe I have a lot of information that
2 Mr. Davis wants. Short of an agreement between
3 Mr. Davis and the U.S. Attorney's Office and myself,
4 you're not going to get a full deposition. I'm going to
5 answer the questions that I feel is not going to put
6 anyone in danger. That's it.

7 I can't be more upfront or honest than
8 that.

9 Q. I understand. So when we were off the record,
10 I thought you might have said you have actually talked
11 to Mr. Davis. Have you?

12 A. I have sent Mr. Davis multiple letters. I met
13 with Mr. Davis' counsel in regards to Chase Bank and
14 U.S. Bank. He came here wanting to talk to me. I
15 explained to him, as well via email, "I'm not proceeding
16 with you any further until you talk to Mr. Davis and I
17 get a response in regards to certain things that I need
18 in regards to the deposition."

19 After that, I stopped hearing from him. I
20 stopped hearing from everyone. I stopped hearing from
21 Mr. Frakes -- I think his last name is. I stopped
22 hearing from him. I stopped hearing from the receiver.
23 I stopped hearing from everyone. So, at that point, I
24 figured this thing was off.

25 Once I got the court order. Once my

1 counsel told me there was a court order compelling me to
2 do this, that's when I started checking with the
3 different attorneys who told me, "Hey, you don't need to
4 do this. No matter what the judge ordered in this case,
5 you don't need to do this. You are in federal prison
6 for 17 years. They're not giving you the death penalty.
7 There is no penalty to you. The only thing, they can
8 hold you until the case is over and then release you
9 from your contempt."

10 This case is not going on for another 17
11 years, I assure you. So use common sense. Why would I
12 put my child, my family, in any more anguish than I
13 already have?

14 Q. I understand. And I appreciate what you just
15 said. I'm going to tailor my questions in a way that,
16 hopefully, does not cause you those concerns. A lot of
17 things you're concerned about are not of interest to
18 us --

19 A. Okay.

20 Q. -- but you are just going to have to guide me
21 through it.

22 A. That's fine.

23 Q. Let me just clarify something you just said.
24 So you talked to Mr. Frakes, the lawyer, right?

25 A. Yes.

1 Q. And did you talk to Mr. Bergin too? His
2 partner.

3 A. No.

4 Q. Mr. Frakes you spoke to in connection with a
5 claim that the receiver was bringing against the banks,
6 correct?

7 MR. STURR: Object to form.

8 A. Right.

9 Q. (BY MR. DeWULF) And do you understand that the
10 receiver has now brought a lawsuit against the banks?

11 A. They did tell me that, yes.

12 Q. Have you seen the complaint that they filed
13 about a month ago?

14 A. I have not.

15 Q. Was the purpose of meeting with Mr. -- let me
16 ask -- did you speak to Mr. Frakes on the phone, or did
17 you actually meet him in person?

18 A. I met him in person and I spoke to him via
19 email.

20 Q. And did you meet him here in La Tuna?

21 A. Right here.

22 Q. How much time did you spend with him?

23 A. A full day, I believe. Possibly a full day.

24 Q. Did you review documents with him?

25 A. I can't remember. It was quite a while ago.

1 Q. But the goal of that meeting, at least as far
2 as you understood, is for you to share with him your
3 knowledge and information about your interaction with
4 U.S. Bank and Chase Bank, correct?

5 A. That's correct.

6 Q. And the receiver, in their lawsuit -- I'm
7 assuming you've seen some of the documents in this case
8 based on how well-informed you are about certain things.

9 So have you seen what they filed -- what
10 the receiver filed in terms of a lawsuit?

11 A. I have not. I've seen a lot of depositions
12 that's been done. John Ray's deposition and Daniel
13 Allen's. I've seen quite a few of the depositions, but
14 I cannot say I've seen the lawsuit.

15 Q. Did you see Mr. Gregg Reichman's deposition?

16 A. I did.

17 Q. Going back to this lawsuit against the banks.
18 The receiver has kind of defined that whole series of
19 interactions between you and the bank and cashier's
20 checks, et cetera, as the second fraud. Have you ever
21 seen that term used?

22 A. Yes.

23 Q. And the second fraud, I think it started
24 sometime in 2012. At least that's the allegation.

25 MR. STURR: Object to the form.

1 Q. (BY MR. DeWULF) It continued 2014 through, I
2 think, 2016 or so, is that consistent with your memory?

3 A. When you say the fraud -- "the second fraud" --

4 Q. Yeah.

5 A. -- would that mean money transferring back and
6 forth?

7 Q. Yeah. Let me define that a little bit for you.

8 That second fraud is this idea of DenSco
9 wiring money into the U.S. Bank account that you had
10 originally, cashier's checks being cut designating money
11 to be used for purchasing of property out of a trustee
12 sale, showing the monies from DenSco, the monies then
13 being -- the cashier's check being canceled or
14 redeposited into your account, the money staying in your
15 account, first at U.S. Bank and later at Chase Bank.

16 That's the scenario, roughly speaking, that
17 I'm kind of considering being the second fraud.

18 MR. STURR: Object to the form of the
19 question.

20 A. I believe all money transfers -- I can't tell
21 you exactly, but I believe any wires have stopped in
22 2015.

23 Q. (BY MR. DeWULF) All right. And the -- but it
24 would be true, Mr. Menaged, that that second fraud or at
25 least the series of transactions where you're getting

1 cashier's checks and then redepositing the money back
2 into the account first involved U.S. Bank and then later
3 Chase Bank?

4 A. Correct.

5 Q. Now, the woman that I understood was working
6 with you at U.S. Bank was a woman named Hilda Chavez?

7 A. Yes.

8 Q. Do you remember how you knew her?

9 A. Just when I opened the bank account, I met her.
10 She was a branch manager, I think.

11 Q. In the time that you spent with the lawyer
12 Mr. Frakes, did you detail out for him how you
13 interacted with Ms. Chavez at U.S. Bank and how you
14 worked together?

15 A. Worked together?

16 Q. With respect to the monies being wired in from
17 DenSco, the cashier's checks being created, the
18 redepositing of the funds, not purchasing real property
19 with the monies. That scenario.

20 MR. STURR: Object to the form.

21 A. I didn't work with her. She opened the bank
22 account, and that's pretty much it.

23 Q. (BY MR. DeWULF) Who was it at U.S. Bank that
24 would have created the cashier's checks reflecting the
25 identity of the property being purchased and that DenSco

1 was the source of the monies?

2 A. Whatever available teller there was.

3 Q. So you used a variety of tellers?

4 A. Yes. There was nothing wrong with it. It was
5 their standard practice.

6 Q. Did -- what role, if any, did Ms. Chavez play
7 in U.S. Bank's creation of cashier's checks and
8 redepositing of the money?

9 A. I believe, at some point -- I believe, at some
10 point, I would email or my associate, Veronica Castro,
11 would email her prior to coming in for the cashier's
12 checks so she could prepare them. Other than that, I
13 don't believe she had any role in anything.

14 Q. Did you ever get questioned by representatives
15 of U.S. Bank, either the tellers or whomever you or
16 Veronica Castro was interacting with as to why the
17 monies were being redeposited into your accounts when
18 they had been earmarked for purchasing property? Never
19 got asked that?

20 A. No.

21 Q. And you never spoke to anyone at U.S. Bank as
22 to why there were these series of transactions where
23 monies that had been mainly associated with the
24 cashier's checks were being redeposited into the
25 account? That never came up?

1 A. Not that I recall.

2 Q. All right. Did the representatives of the bank
3 know that the monies that originated from DenSco that
4 were redeposited into your account got used by you for
5 other personal reasons?

6 MR. STURR: Form.

7 A. I believe, if they did research, they could see
8 that.

9 Q. (BY MR. DeWULF) Do you know whether U.S. Bank
10 did the research on that?

11 A. I do not.

12 Q. Was there anyone -- well, was Ms. Chavez in a
13 management role at the bank?

14 A. I believe she was the -- I believe she was some
15 sort of manager. I don't know if she was the branch
16 manager or teller manager, but I believe she was --

17 The person that opened the bank account, I
18 believe it was Veronica Castro. I wasn't even there to
19 open the account. I'm pretty sure she's on both the
20 signature cards, as I am. I don't think I ever even
21 walked into the bank.

22 I never really dealt much with U.S. Bank.
23 My relationship was more with Chase than U.S. Bank. And
24 the period of time we worked with U.S. Bank was very
25 short. It was not a long period of time. The

1 relationship was just not a real good one.

2 Q. I was going to ask about that, Mr. Menaged. So
3 you're right. It was a short period of time, relatively
4 speaking, based on what I can see in the records.

5 How did you come to decide that you would
6 stop doing what we would call the second fraud
7 transactions with U.S. Bank and move back over to Chase
8 Bank?

9 MR. STURR: Form.

10 A. My relationship with U.S. Bank just wasn't
11 working out. It wasn't that we purposely moved it
12 anywhere for any specific reason.

13 Q. (BY MR. DeWULF) Why was it not working out?

14 A. Because I also had a furniture store, as you
15 know. A chain of furniture stores. And so when
16 Merchant Services, when we worked with them and we would
17 accept credit cards from customers, sometimes it would
18 be, on a daily basis, 50-, 60-, 70,000 dollars worth of
19 credit cards over a weekend. It took them forever to
20 deposit the funds. It was held for another day. It was
21 a long process, and my processing was already with
22 Chase.

23 So when I went in and spoke to someone with
24 Chase about moving the account over, I realized I could
25 get paid the next day. Things would be much smoother.

1 I can deposit checks. It goes much smoother. That's
2 why I decided to move over.

3 Q. So I understand the primary U.S. Bank location
4 that you did business with and -- with Hilda Chavez was
5 at 6611 West Bell Road in Glendale?

6 A. I'm not positive. I told you I've never been
7 in the branch. I don't know.

8 Q. Okay. Do you remember being in Glendale?

9 A. It's possible.

10 I couldn't even tell you what Hilda looks
11 like. I've never seen her a day in my life.

12 Q. You mentioned Veronica Castro. Was she
13 formerly known as Veronica Gutierrez?

14 A. She is.

15 Q. So I want to explore with you how you came to
16 know her or how she came to work with you because I've
17 seen her name on some of the documents. Let -- so let
18 me just ask a general question. Do you remember when
19 she began working with you?

20 A. I couldn't tell you. I really don't remember.

21 Q. Can you give us any idea? Like, would it have
22 been early 2000s?

23 A. No. It would have been around maybe 2008, '09,
24 '10. That area.

25 Q. Do you know how you first met her?

1 A. She replied to an ad that I put up. I was
2 looking for someone knowledgeable in escrows, titles,
3 all that stuff.

4 Q. Do you remember what her background was when
5 you hired her?

6 A. She worked -- she had an extensive history with
7 a title company. I believe she worked with Magnus Title
8 for a while. I believe she worked with Fidelity for a
9 while.

10 Q. All right. So 2008, 2009, 2010, was that Easy
11 Homes that you would have been doing business through?

12 A. No.

13 Q. What entity would you have been doing business
14 through at that time?

15 A. Probably Arizona Home Foreclosures.

16 Q. What -- did the role that Veronica Castro
17 played with you, did it stay the same over time or did
18 it change?

19 A. I don't understand.

20 Q. What did she do initially for you when she
21 joined you at Arizona Home Foreclosures?

22 A. She ran title reports. She did escrow
23 packages. She did payroll for me. That sort of stuff.

24 Q. Over time, did she take on more
25 responsibilities?

1 A. She still did title and ran escrow and did all
2 that stuff.

3 Q. You mentioned earlier, Mr. Menaged, that she
4 would have done a large part of the interacting with
5 U.S. Bank, correct?

6 A. She did that in the beginning with regular
7 transactions.

8 Q. Would she have handled a lot of your banking
9 transactions for your business?

10 A. She did.

11 Q. Did she work with you through 2016?

12 A. She did.

13 Q. And the end of 2017, or do you recall?

14 A. No.

15 Q. Do you remember how -- or what the
16 circumstances were regarding you not working with her
17 any longer?

18 A. I wanted her to work, I believe, at the
19 furniture stores doing administrative stuff there. She
20 wanted weekends off, like she had, because she had a
21 grandbaby coming. Something like that. And we ceased
22 our relationship at that point.

23 Q. That was in 2016?

24 A. That was 2016.

25 Q. You were talking about her doing title work,

1 escrow work, those kinds of things. Was she also doing
2 work for your furniture stores?

3 A. She was.

4 Q. What was she doing for them?

5 A. Same thing. Deposits, payroll. She did more
6 on the real estate end than the furniture.

7 Q. I haven't studied your organization or with
8 whom you worked, but she was the name I've seen
9 frequently. Was she kind of your right-hand person as
10 it related to what you were doing careerwise from 2008
11 to 2016?

12 MR. STURR: Object to form.

13 A. She was.

14 Q. (BY MR. DeWULF) You would have shared with her
15 how you were doing your business?

16 A. Yes.

17 Q. You relied on her to fulfill whatever your
18 business goals were?

19 MR. STURR: Object to the form.

20 A. I asked her to do the things I needed her to
21 do, yes.

22 Q. (BY MR. DeWULF) And she stayed with you for a
23 long time. You must have felt highly of her or thought
24 that she was a capable person.

25 A. I did.

1 Q. Can you share with us what you viewed her
2 qualities to be as an employee with you.

3 A. She seemed to be very motivated. If she needed
4 to stay late, she would. If she needed to go the extra
5 mile to finish a transaction or go meet a customer,
6 there was never any complaints or -- she was pretty good
7 at what she did.

8 Q. Did you consider her trustworthy?

9 A. I did.

10 Q. Did you consider her honest?

11 A. I did.

12 Q. Was there -- I know that the business that you
13 had, at least in terms of purchasing homes out of
14 trustee sales, those kinds of things or purchasing homes
15 to rebuild, remodel, doesn't work on an 8:00-to-5:00
16 basis necessarily. Was she willing to work outside of
17 normal hours?

18 A. She would.

19 Q. Did she work weekends for you as well?

20 A. No.

21 Q. I've seen the name Luigi Amoroso come up in
22 files, but he was not an employee of yours, was he?

23 A. No.

24 Q. He was doing some running work for you?

25 A. Correct. Subcontractor.

1 Q. When I use the word "running," what I'm
2 referring to is taking money to be deposited with
3 trustees in connection with trustee sales. Is that how
4 you understand that term?

5 A. Sure.

6 Q. Did he do anything else for you -- let me back
7 up.

8 Do you recall the period of time that you
9 worked with Mr. Amoroso?

10 A. I couldn't tell you. I don't remember. I
11 don't want to give any false dates.

12 Q. Do you think it would have been as early as
13 early 2000s?

14 A. Yes.

15 Q. Did it go through 2016 also?

16 A. Yes.

17 Q. Other than being a runner for you, do you
18 recall anything else Mr. Amoroso did for you in helping
19 you in work?

20 A. He bid on properties. That was his main job or
21 task.

22 Q. Let's put some detail to that. When you are
23 talking about bidding on properties, you are talking
24 about bidding on residential properties that are the
25 subject of a trustee sale?

1 A. Correct.

2 Q. In those scenarios, you would typically -- you
3 would have done your due diligence to determine the
4 value of a property that was coming up for sale. Fair?

5 A. Fair.

6 Q. And so you would authorize Mr. Amoroso, in this
7 case, to bid up to a certain amount of money with the
8 belief that there was -- you could -- there was value in
9 the property beyond the bid amount. Fair?

10 A. Fair.

11 Q. So he would -- pursuant to whatever
12 instructions you gave him, he would go bid on a property
13 to purchase it out of a trustee sale for you, right?

14 A. Most of the time, he would be on the phone with
15 me while he was bidding.

16 Q. So sometimes it was real time. You were giving
17 him input on what he ought to bid. Fair?

18 A. Correct. Yes.

19 Q. Was there -- in terms of your focus on
20 properties to purchase, they were almost always
21 residential properties, right?

22 A. Usually.

23 Q. Is there anything else you can share with us,
24 Mr. Menaged, in terms of what you were looking for in
25 the properties that you bid for at a trustee sale?

1 A. Anything with a value. I would purchase
2 department buildings. I purchased nursing homes. If it
3 had a value and I felt like there was money to be made
4 with it, I would buy it.

5 Q. Were there any subcontractors that you can
6 recall that worked with you other than Mr. Amoroso?

7 A. No.

8 Q. In terms of employees, we talked a little bit
9 about Ms. Castro. Did you have any other employees
10 during that, say, 2008 to 2016 time frame?

11 A. Yes.

12 Q. Do you remember who they were?

13 A. I think there was about 50 of them. You can
14 check the payroll records. The receiver has everything.

15 Q. So let's set aside the furniture business for a
16 moment.

17 A. Okay.

18 Q. And let's just focus on what I would call the
19 real estate-related business. How many employees would
20 you have focusing on that area of your business?

21 A. It was just me, Veronica, Luigi. I think there
22 was a girl at some point that also did some bidding for
23 me for a short period of time. Lou was having some
24 problems with his son or something like that.

25 I can't really exactly remember why I had

1 to bring her on or where Lou was going. But she worked
2 for me for a short period of time. That was it that I
3 can recall.

4 Q. Do you remember the circumstances surrounding
5 you terminating your business relationship with
6 Mr. Amoroso?

7 A. Yes. Well, I don't know that we ever
8 terminated our relationship. I stopped buying
9 properties. His function was to buy property. So if I
10 didn't buy properties, he was no longer an asset to me.

11 Q. I see. So you don't remember events or
12 circumstances where y'all decided not to do business
13 together?

14 A. No.

15 Q. So you know that Dennis Chittick committed
16 suicide around July 27, 28 of 2016?

17 A. Yes.

18 Q. Part of the reason we're here is to explore
19 with you your observations and experiences with
20 Mr. Chittick. So I'd like to unwrap a little bit, if we
21 can, what kind of person he was, at least in your
22 experience of what you were viewing.

23 And I remember that in the -- you gave a
24 2004 exam in bankruptcy court. Do you recall that?

25 A. Yes.

1 Q. One of the comments you made was kind of
2 remarkable to me. I wanted to -- you said something
3 like "He was a lonely man" -- this is pretty early in
4 your testimony. "He was a lonely man. He loved to
5 talk. He loved to reach out." Do you recall seeing
6 that?

7 A. Yes. I don't recall saying it.

8 Q. Would it be true?

9 A. Yes.

10 Q. Can you elaborate on that a little bit. What
11 were you -- how was he evidencing that to you?

12 A. I know he went through a hard divorce with
13 Ranasha. I know he was heartbroken over it. I know
14 that he really didn't have anything other than his boys
15 in his life or anything really going on.

16 His sister lived in a different state. His
17 parents lived close by -- very close by. They were
18 older. I remember one was becoming senile. And he just
19 didn't seem like -- he seemed, to me, like he was just
20 going through the motions of life.

21 He wasn't looking for a woman. He wasn't
22 looking for a relationship. He wasn't really looking
23 for anything. He couldn't really find himself.

24 Q. So Mr. Chittick, in emails, has -- has
25 remembered that you started a business relationship with

1 him in 2007. Does that square with your memory?

2 A. I can't tell you exactly, but it would make
3 sense around that period.

4 Q. All right. Do you think that that would have
5 been a lender-borrower relationship in 2007?

6 A. That would be the only relationship I would
7 have with him in 2007.

8 Q. Do you remember, sitting here today, how you
9 would have first come to do business with Denny
10 Chittick?

11 A. I do remember how I started doing business with
12 him.

13 Q. What do you remember?

14 A. I was partners or semi partners with Eric
15 Weinbrenner with Easy Homes. Eric used him for a long
16 period of time. I started working with Eric probably
17 back in about 2000. He introduced me to Denny. We hit
18 it off.

19 We did hundreds and hundreds and hundreds
20 of deals over the first few years. We kind of built
21 some kind of friendship.

22 Q. You used the word "friendship." And I know --
23 I know Mr. Chittick -- at least I've seen in writing --
24 that he viewed you as a friend. Did you consider him a
25 friend?

1 A. I did.

2 Q. Your counsel, Cody Jess, who was a counsel for
3 you -- he doesn't represent you anymore, right?

4 A. No.

5 Q. But he represented you in connection with
6 bankruptcy matters?

7 A. Correct.

8 Q. He shared with counsel for the receiver that
9 you and Denny Chittick would communicate through email,
10 text, phone and in person on a daily basis. And he went
11 on and said "sometimes dozens of times a day for perhaps
12 a decade." Would that be consistent with your memory?

13 MR. STURR: Form.

14 A. It would.

15 Q. (BY MR. DeWULF) Do you think -- you mentioned
16 a moment ago, Mr. Menaged, about Denny's family
17 relationships. Are you aware of any other friendships
18 that he had other than with yourself?

19 A. Well, I know, like, he was friends at some
20 point with John Ray. That relationship ended pretty
21 quickly. I don't know of any other people really he was
22 friends with.

23 Q. He didn't talk about any other friends when
24 y'all communicated?

25 A. No. He didn't really have any. I think he had

1 a neighbor, but not very close.

2 Like I said, he was a lonely man. He
3 didn't have many people that he -- I mean, he associated
4 businesswise with a lot of people, on a business level.
5 But to go and get a hamburger or something with him, he
6 didn't have that. That wasn't him.

7 Q. When you were testifying in the 2004 exam, I
8 remember you saying that he had a difficult time with
9 pressure, couldn't handle pressure and stress very well.
10 Do you remember that?

11 MR. STURR: Form and foundation.

12 Q. (BY MR. DeWULF) Do you remember saying that?

13 A. I do. I don't remember saying it, but I would
14 know that to be true.

15 Q. Can you elaborate on that. Can you explain to
16 us what you saw. How did you observe that?

17 A. After knowing someone for over a decade, like
18 you said, you start to realize people's characters and
19 how they can handle things and how they can't.

20 Every little stress that would come, it
21 would be a big deal. He'd have to analyze it and think
22 about it. It would take him a couple of days of no
23 sleeping and no eating until he did whatever he had to
24 do in his mind somehow to ease whatever was going on in
25 his mind.

1 Q. I forgot to ask you a moment ago. You said
2 that John Ray was a friend of Denny Chittick for some
3 period of time, but then it ended pretty quickly, I
4 think you said.

5 A. It did.

6 Q. What do you know about that?

7 A. John owed him a lot of money. Denny felt like
8 he got screwed from him. John was -- I was also friends
9 with John for quite a while. I wouldn't say "friends"
10 friends, but we officed together for a while. Probably
11 mid -- beginning of 2000s, when I was partners with Eric
12 Weinbrenner.

13 And so he was friends with Denny. Denny --
14 he screwed him out of a lot of money. I remember Denny
15 was pretty upset over it. We talked about it.

16 John was completely on drugs. Cocaine all
17 the time. Meth all the time. Complete drug addict.
18 And so I didn't want to have any association with him.

19 He had a cute little son. His name was
20 Zaxon [phonetic]. He was a little bit younger than my
21 son's age. I referred them over to my son's private
22 school because I think his son was having some issues.
23 I don't remember why I did. I remember them asking me
24 advice on certain things with education.

25 So he went to my son's school for a period

1 of time there. I didn't want them to get really close
2 because -- knowing the whole situation at the home with
3 drugs and all that, I had my son kind of keep his
4 distance. But I wanted to help John's son out with a
5 good education.

6 But the same with his -- his wife or his
7 girlfriend at the time, Tara -- Tara, something like
8 that -- also completely on drugs.

9 Denny knew about it. Neither one of us
10 were into drugs. We never believed in drugs or any of
11 that stuff. We shared the same values as far as that.

12 So when the money thing happened and then
13 he started going off the rails here, John -- strip clubs
14 seven days a week, bidding during the day at strip
15 clubs, conducting business from a strip club table, we
16 just -- it wasn't what we believed in.

17 Q. When I was asking a moment ago about
18 friendships that you were aware of, you said that you
19 thought that Denny Chittick had some level of friendship
20 with a neighbor. Do you recall that?

21 A. Yes.

22 Q. Was that a Brian Endique [phonetic]?

23 A. I think so. I think Brian sounds familiar.

24 Q. You mentioned John Ray, that it got to the
25 point where he didn't pay Denny Chittick back on money he

1 owed. Do you remember one of Denny Chittick's investors
2 loaning money to John Ray too? Does that ring a bell
3 with you?

4 A. Yes. Thompsons.

5 Q. Thompsons?

6 A. Cora Lee or something like that.

7 Q. That's right. Cora Lee Thompson.

8 A. Cora Lee Thompson -- I do remember -- sued him.
9 He filed bankruptcy over it. I wasn't involved in all
10 of it, but I do remember John -- I do remember Denny
11 telling me about it.

12 I remember John saying that he was telling
13 people that the reason that he wasn't dealing with Denny
14 anymore on a financial basis was because Cora Lee didn't
15 want to, since she was an investor.

16 Denny disputed that fact. He said, "No,
17 that's not the case." He said, "I'm not doing business
18 with him because he screwed me multiple times, and he's
19 a drug addict, and I don't deal with people like that."
20 So...

21 Q. Do you remember Denny having to deal with Cora
22 Lee and that ended up being a problem for Denny
23 Chittick?

24 A. No.

25 Q. One of the things I also picked up in your

1 testimony was you made a comment that, at some point in
2 your relationship with Denny Chittick, that because he
3 wasn't handling pressure and stress well, you didn't
4 have the heart to tell him certain things because it
5 would have been so devastating for him. Do you remember
6 sharing that in your testimony earlier?

7 A. I remember that being reality, yes.

8 Q. Explain that to us.

9 A. Denny was a very -- he was fragile in his mind,
10 in my opinion. He, like I said, did not handle pressure
11 very well. And the more pressure you put on him, the
12 more kind of strung out he became. He didn't eat right.
13 He didn't sleep right. He was having medical issues
14 over stress at some point. That was his kind of
15 personality.

16 Everybody's personality is different. And
17 his was a good heart, but he couldn't take a lot of
18 things that would come his way.

19 Q. Let me go through some adjectives that others
20 have used to describe him and ask if you agree. That he
21 was proud.

22 A. Yes.

23 Q. Did you -- can you share with us any way you
24 saw that evidenced. I know he was a proud father, proud
25 of his sons. Did you see that in the business context?

1 A. He was proud of his profits, yes.

2 Q. So let me talk about that. One of the things
3 that has been mentioned is that money was important to
4 him, and that he measured success in large part based on
5 income and financial aspects. Would that be consistent
6 with the way you viewed things with him?

7 A. A hundred percent.

8 Q. Can you share with us what you saw.

9 A. We just had a lot of different opinions about
10 different things through the decades. I remember -- I
11 remember one time talking to him about -- about my son's
12 schooling and being concerned about a couple of things
13 with some of his classes.

14 His thing was, "Well, look, in a couple of
15 years, he's going to be out in the world anyway, making
16 money. Where is this really going?"

17 I'm like, "Well, yes, but I still want him
18 to know science. He may not be a scientist, but I still
19 want him to learn science, you know."

20 His take on it was, "What the hell is he
21 going to with it?" Actually, that was probably a direct
22 quote.

23 I said, "You think, then, that I should go
24 to school and tell them, 'Hey, just fail him. You are
25 abusing my son by taking him into the science class'?"

1 "I wouldn't say they're abusing your son,
2 but I don't think this stuff is really important when it
3 comes down to it. How much are the tax returns going to
4 show?"

5 We argued constantly about stupid things
6 like this. Sometimes we wouldn't talk in two or three
7 days. I would say, "You're an idiot. You are the
8 biggest idiot in the world."

9 Then, two or three days later, he would
10 come back, "Well, the more I think about it, maybe he
11 should take a science class that's less challenging," or
12 something like that, you know, just because he wanted to
13 start to talking to me again because he was bored and he
14 didn't have anything to do, not because he really agreed
15 with me on that.

16 Q. So this value of money -- some have also called
17 him frugal, that he was very, very careful about how
18 money was used and spent. Did you see that?

19 A. Very cheap man. A very, very, very cheap man,
20 yes.

21 Q. Did you see that as it related to his use of
22 professionals? Like accountants and lawyers.

23 A. I know he was not happy about paying
24 professional bills, yes. Including even the doctor,
25 yes.

1 Q. So I know there are emails. I'm trying to
2 minimize because I think you have a pretty good memory
3 of all the documents I brought along because -- I think
4 some of these things we can cover like this.

5 But there are emails that reference the
6 fact that both of you are kind of fed up with lawyers
7 and legal fees. Do you recall that?

8 A. I do, yes.

9 Q. I mean, he seemed to kind of view the lawyer as
10 kind of a necessary evil or annoyance. Is that what you
11 were seeing?

12 MR. STURR: Form.

13 A. I think he wasn't happy about paying the bills.
14 What his thoughts were about what they could bring to
15 the table or not, I can't tell you. What I can tell you
16 is I know he wasn't happy when he got the bill.

17 Q. (BY MR. DeWULF) I think you shared in this
18 exam you gave earlier about the fact that, at some point
19 in time, he was probably embarrassed -- that is, Denny
20 Chittick was embarrassed about the state of things at
21 DenSco; and therefore, he was reluctant to tell people
22 things.

23 MR. STURR: Form, foundation.

24 Q. (BY MR. DeWULF) Does that square with your
25 memory?

1 A. You have to rephrase that.

2 Q. Did you see, in your communications with Denny
3 Chittick over time and I guess whatever in-person
4 meetings you may have had with him, that at some point
5 in your business relationship with him, he was
6 embarrassed about the problems that were going on with
7 DenSco?

8 MR. STURR: Form.

9 A. I don't know that I would say embarrassed.

10 Q. (BY MR. DeWULF) All right. Is there another
11 better term?

12 A. Disappointed maybe.

13 Q. So one of the things I think that I've read is
14 that he viewed you as being loyal. Did you know that?

15 MR. STURR: Form.

16 A. No.

17 Q. (BY MR. DeWULF) Did -- does it surprise you
18 that I would tell you that?

19 A. No. We helped each other a lot through the
20 years.

21 Q. One of the things he has cited was that you
22 worked with him during the recession. And we talked
23 earlier about the timing of you doing business with him
24 and DenSco. That would have started pre-recession. You
25 kept working with him through the recession. Do you

1 remember that?

2 A. I do.

3 Q. And while a number of hard money lenders like
4 DenSco may have gone out of business, DenSco survived
5 through that time. Do you recall that?

6 A. I do.

7 Q. Basically, he had to change his business focus
8 from simply lending on properties to foreclosing, owning
9 properties and renting them. Do you remember that?

10 MR. STURR: Form.

11 A. I do.

12 Q. (BY MR. DeWULF) So there was a period of time
13 there where DenSco kind of became landlords to kind of
14 survive the recession. Do you remember that?

15 MR. STURR: Form.

16 A. I do.

17 Q. (BY MR. DeWULF) And you worked with him in
18 that time frame, correct?

19 A. I did.

20 Q. What did you do to help DenSco or help
21 Mr. Chittick or work with him?

22 A. I don't understand. I was just a customer of
23 his.

24 Q. So, in 2008 when the recession hits, 2009, were
25 you borrowing money from him?

1 A. I believe so, yes. Actually, yes, I was.

2 Q. And what made that unique in that time frame?

3 Was it just that very few people were willing to borrow
4 money because they were so concerned about the real
5 estate market?

6 A. Yes.

7 Q. So you were -- let me step back. I understand
8 a big part of purchasing a property out of a trustee
9 sale is based on your knowledge and understanding of the
10 real estate market and the belief that the property has
11 more value and it may appreciate beyond what you are
12 paying for the property. Is that fair?

13 A. Yes.

14 Q. But you were seeing and doing business in
15 2008/2009 time frame with DenSco when very few others
16 were.

17 MR. STURR: Form and foundation.

18 A. There were others that were doing business with
19 him at the time.

20 Q. (BY MR. DeWULF) What I've understood is that
21 he felt -- he was appreciative of the fact that, in that
22 difficult time, you were doing business with DenSco.
23 Did he ever express that to you?

24 MR. STURR: Form and foundation.

25 A. What he was appreciative of was that I didn't

1 walk away from him in the bad times, when all the loans
2 were underwater and everything was completely upside
3 down, like a lot of his borrowers did. That's what he
4 was appreciative of.

5 Giving loans, he wasn't -- I don't think
6 that was an appreciation, but that I didn't walk away
7 and kind of tried to work out each and every loan with
8 him to make sure that he got paid in full and so forth.

9 Q. (BY MR. DeWULF) Thanks for the clarification.

10 What you are saying is that, even though
11 the property values may have gone down, you kept your
12 commitment to pay off on the loan that was secured by
13 the property?

14 A. Yes.

15 Q. And you did that through kind of the aftermath
16 of the recession when many others were abandoning loans
17 and giving them up. Fair?

18 A. Fair.

19 Q. And did Mr. Chittick express appreciation to
20 you in the aftermath of that recession for the fact that
21 you had stuck with your loans and paid them off and made
22 sure that DenSco was ultimately paid?

23 A. I've heard that he has said that he was
24 appreciative. During the time that he was becoming a
25 landlord by foreclosing on many properties, I helped him

1 through the process.

2 I would recommend different contractors to
3 him to rehab some of these properties. I think even --
4 I swear I even drove out to one of the properties that
5 he was complaining about. He didn't know what it was
6 worth. He was frazzled by the whole thing.

7 The whole thing was stripped. They took
8 ACs and everything. It was, like, four walls. I went
9 out there to take a look at it as a favor to him, but
10 that's about it.

11 Q. Let me use some other adjectives. Did you view
12 him as being competitive?

13 A. Yes.

14 Q. Did you see that evidenced in any particular
15 way?

16 A. He was competitive, but he didn't need to be
17 number one. So long as his tax returns looked good,
18 that's what he was concerned about. That was his thing.

19 Q. Was he driven?

20 A. By money and by the success of his boys. He
21 was a good father.

22 Q. One of the things that I know was interesting
23 in your 2004 testimony was that when he first -- "he,"
24 Denny Chittick -- first discovered the double-liening
25 issue that was present on some of the properties he

1 loaned on, that he was concerned about other hard money
2 lenders learning about that because it might affect his
3 reputation.

4 MR. STURR: Form.

5 Q. (BY MR. DeWULF) Do you recall that testimony?

6 A. No. I don't recall that testimony.

7 Q. Okay. Does it square with your memory?

8 MR. STURR: Form.

9 A. I don't know if "reputation" is the best word.
10 I don't think he was that concerned about reputation.
11 He was more concerned about the business -- the business
12 and what was happening.

13 Q. (BY MR. DeWULF) So you're saying that he would
14 have been concerned about competitors taking away his
15 customers --

16 MR. STURR: Form.

17 Q. (BY MR. DeWULF) -- or his borrowers or
18 investors, right?

19 Let me rephrase it. That's not a good
20 question.

21 When Denny Chittick learned about there
22 being a double-lien problem for some of his -- the loans
23 that DenSco had made, he was concerned that some of his
24 competing hard money lenders would learn and take some
25 of his investors away?

1 MR. STURR: Form, foundation.

2 A. There was an initial concern over that, yes.

3 Q. (BY MR. DeWULF) Was that in --

4 A. Just so you know, we are going into a little
5 gray area here of memory and what I'm able to talk about
6 going forward, but go ahead, and I'll stop you once you
7 get to that point. But you're getting there.

8 Q. So that double-lien issue, I think, was first
9 discovered in 2012.

10 A. That's correct.

11 MR. STURR: Form, foundation.

12 A. That is correct.

13 Q. (BY MR. DeWULF) And so I'm going to hone in on
14 that a little bit. I won't do it right now, but I want
15 to talk a little more background stuff with you.

16 Again, focusing on Denny Chittick, I've
17 just got a couple of other questions. At some point in
18 your testimony, Mr. Menaged, you had said -- and I can't
19 remember the question that prompted this answer, but you
20 said something like, "I lied to him and he lied to me,"
21 or something to that effect. I'm not asking you to
22 remember that testimony. But would that be a true
23 statement?

24 A. I believe at times -- there were times that,
25 yes, we both fibbed to each other.

1 Q. Do you remember at any time specifically where
2 he fibbed to you?

3 A. No. Not that I can recall.

4 Q. No subject matter? No general topics?

5 A. I remember there was one time something to do
6 with his son's school or some grades or something like
7 that. There was something about that.

8 There was another time about a property
9 that he lost money on. He said he made money on it, but
10 in the end, he didn't. I confronted him about it.

11 There were certain things like that. I
12 can't remember specifics, though.

13 Q. But it's pretty clear, looking at the body of
14 that evidence that we've seen, that he trusted you. Did
15 you view that and experience that?

16 A. Yes.

17 Q. And you trusted him, right?

18 A. I did.

19 Q. And, really, that trust existed probably up
20 until shortly before his suicide, right?

21 A. Yes.

22 Q. Earlier in the deposition, I was talking to you
23 about his being lonely and not having a lot of friends.
24 Let me ask kind of a variation of that, and that is
25 that -- do you think that he trusted very many people?

1 A. No.

2 MR. STURR: Form, foundation.

3 Q. (BY MR. DeWULF) Do you know, from your
4 experience and knowledge, anyone that he did trust other
5 than you?

6 A. Scott Gould. I believe he was the person that
7 he most trusted with DenSco in the event something
8 happened to Denny. His family. I really don't remember
9 anyone else.

10 Q. I think a man named Robert Koehler was the
11 individual that was to take over DenSco in the event
12 something happened to Denny. Does that ring a bell?

13 A. Yes. Robert Koehler was partners with Scott
14 Gould at some point --

15 Q. Right.

16 A. -- with RLS Capital.

17 Q. Right.

18 A. So, yes, he did trust them. Definitely.

19 Q. So trusted Scott Gould and trusted Robert
20 Koehler, as far as you knew?

21 A. Right.

22 Q. Anybody else?

23 A. No. Not that I can remember.

24 Q. You indicated early in your testimony that he
25 was -- "he" being Denny Chittick -- was upset about his

1 divorce from Ranasha. Do you recall that?

2 A. I did.

3 Q. I think the divorce occurred in 2012. Is that
4 consistent with your memory?

5 A. It did.

6 Q. Did you see any change in Denny Chittick's
7 behavior, either workwise or personal, in the aftermath
8 of that divorce?

9 A. Workwise, no. Personal, he just kind of became
10 more shut off. He was angry, from what I understand
11 from him.

12 Again, I'm not going to go into his
13 personal business because his children are going to be
14 reading this.

15 Q. I don't want to either. Yeah.

16 A. He was angry about the divorce, and that's all
17 I'll say about that.

18 Q. I get that. We've seen other things. I'm not
19 interested in your view about that.

20 A. Right.

21 Q. Were you able to gather or arrive at any sort
22 of opinion as to Denny Chittick's view of women or
23 relationships with women, based on the time that you
24 knew him?

25 A. You mean after the divorce?

1 Q. Let's take that first.

2 A. I believe his belief was that women were
3 secondary to a man. The man would be the commander in
4 chief, and the woman would always be underneath him.
5 That's my impression of how I believe he viewed women.

6 Q. And you qualified earlier "after the divorce."
7 Do you think he had that opinion or view before the
8 divorce?

9 A. No, I don't. If he did, it was hidden. It was
10 more -- it came out more after the divorce.

11 Q. Do you think he looked up to you?

12 A. I think we looked up to each other. We had a
13 decent friendship.

14 Q. What was it about him that you looked up to?

15 A. I liked his work ethic. I liked that it didn't
16 matter if you called him at 11:00 at night to look at a
17 property for you on the computer, he would do it. There
18 was no 9:00-to-5:00 with either one of us. And that's
19 kind of what made the relationship go.

20 There would be times at midnight that I
21 would text him and say, "I'm thinking about something.
22 Look at this property for me." Within three minutes, he
23 would. It wasn't "Call me tomorrow at 9:00 when the
24 office opens."

25 Q. What do you think he looked up to you for?

1 What about you did he look up to?

2 A. I think he liked that I was aggressive, that I
3 kind of saw things outside the box sometimes. I think
4 he thought, from what he's told me, he liked that I
5 could fix problems pretty quickly that came about.

6 Q. It would be fair to say that you were extremely
7 successful in the 2000s, right?

8 A. Yes.

9 Q. Let me try to breeze through this. I want to
10 talk a little bit about your background, if we could.

11 A. Okay.

12 Q. You were born January 31, 1977?

13 A. I am.

14 Q. Were you born in New York?

15 A. Yes.

16 Q. Whereabouts?

17 A. Brooklyn.

18 Q. Brooklyn. And you graduated high school. Was
19 it in New York?

20 A. I did not graduate high school.

21 Q. Did you attend any school after high school?

22 A. I did not.

23 Q. So tell me what you did after you left high
24 school, from a career, making-money standpoint.

25 A. I worked at a couple of fast-food places, I

1 remember. I saved up enough money, and then I opened my
2 first store. Furniture store.

3 Q. Where did you open it?

4 A. It was in Brooklyn.

5 Q. Had your family been involved in the furniture
6 business?

7 A. My dad was, yes.

8 Q. So your dad is Joseph?

9 A. Correct.

10 Q. And your mother is Michelle?

11 A. Yes.

12 Q. You have a sister Jennifer Bonfiglio?

13 A. Yes.

14 Q. And a sister Joy Menaged?

15 A. Yes.

16 Q. And a brother, Jess?

17 A. Yes.

18 Q. And you have a son, Stevie --

19 A. No. Brandon.

20 Q. Brandon?

21 A. Stevie is my daughter.

22 Q. I apologize. It's Stevie Jolee, right?

23 A. Yes.

24 Q. And did you stay in the furniture business,
25 then, in New York for a while?

1 A. Yes.

2 Q. How long?

3 A. At least ten years.

4 Q. So to the late 20s? In your age.

5 A. Yes.

6 Q. What did you do then?

7 A. You know, I really don't want to give false
8 information. I can't really remember. I opened this
9 store, opened that store, opened this office.

10 Q. No. That's --

11 A. I can't really remember. I was in furniture.
12 I went to real estate. I went to furniture. Sometimes
13 I had both of them. Sometimes I had one.

14 Q. It doesn't matter to me. I'm not looking for
15 that kind of detail. I'm just looking to get a general
16 background.

17 So, at some point, you started getting
18 involved in real estate?

19 A. I did.

20 Q. When was that, roughly? Would it have been the
21 late 1990s?

22 A. No. It was probably 2000, 2001.

23 Q. All right. Was that in New York?

24 A. No. That was here in Arizona.

25 Q. What brought you to Arizona?

1 A. My family moved there when I was younger.

2 Q. Did they get into the furniture business when
3 they moved to Arizona?

4 A. My father did, yes.

5 Q. What was his business? What was the name of
6 it?

7 A. I don't remember. It was 20- or 30-some years
8 ago.

9 Q. So when you started in real estate in Arizona
10 in 2001, what were you doing?

11 A. At that point, I was buying and selling houses.
12 I was flipping houses.

13 Q. Did you say "flipping"?

14 A. Yes.

15 Q. When you use that term -- I know it's a common
16 term, and I've also heard the word "wholesaling" and
17 "retailing" and those kinds of things. So I want to
18 kind of walk you through that so I understand the terms
19 you're using.

20 A. Okay.

21 Q. Is "flipping" just the process of buying a
22 property and turning around and selling it because you
23 believe you know the value and you're buying it at a low
24 price and selling it at a higher price? Is that what
25 flipping is?

1 A. Yes.

2 Q. When you renovate a home, fix it up and resell
3 it, is that called "retailing"?

4 A. Yes.

5 Q. All right. What you did in the early 2000s,
6 you started in the real estate business by basically
7 just becoming knowledgeable of market values. You're
8 buying properties and then reselling them at a profit.
9 Fair?

10 A. Retailing, yes.

11 Q. So you were involved in renovating homes fairly
12 early in the 2000s?

13 A. In the very beginning, yes.

14 Q. And was there any particular area of the
15 Phoenix metropolitan area you were focusing on?

16 A. No.

17 Q. At some point, did you begin focusing primarily
18 on buying homes out of trustee sales?

19 A. That's how I started, yes.

20 Q. So that would have started in 2001?

21 A. Approximately.

22 Q. From whom would you have borrowed money in the
23 early 2000s before you started borrowing money from
24 DenSco?

25 A. Gregg Reichman.

1 Q. And he had -- he had an entity before Active
2 Funding Group that had a very similar name, right?

3 A. Active Finance Group.

4 Q. Active Finance Group. And is that the entity
5 you borrowed money from?

6 A. Yes. That and KMA, LLC.

7 Q. You earlier described having worked with DenSco
8 kind of through the recession. Do you recall that
9 testimony?

10 A. I do.

11 Q. In the aftermath of the recession, would you
12 have been primarily borrowing from DenSco in connection
13 with your purchases of properties?

14 A. After the recession?

15 Q. Yes.

16 A. Not primarily, no.

17 Q. So you would still borrow from a variety of
18 lenders after, say, 2008?

19 A. Yes.

20 Q. And among those was Mr. Reichman's company?

21 A. Yes.

22 Q. How did you decide who to borrow from?

23 A. Simplicity. Who had capital and who didn't.

24 There were times Active would have money and times they
25 didn't, times Denny would have money and times they

1 didn't. So who had capital. You had to look around and
2 see where you wanted to go.

3 Q. I've seen documents that indicate that DenSco
4 was typically lending money at 18 percent. Do you
5 recall that?

6 A. I do.

7 Q. Was that -- relative to what you could borrow
8 money at from other lenders, was that high? Low?
9 Comparable?

10 A. Comparable.

11 Q. So many of the hard money lenders you were
12 doing business with were charging 18 percent?

13 A. Yes.

14 Q. So you married Francine Lipari in November of
15 2012?

16 A. I did.

17 Q. And you had had a friendship with her in high
18 school. Am I right on that?

19 A. Yes.

20 Q. Had you been married prior to marrying Francine
21 in 2012?

22 A. Yes. To Brandon's mom.

23 Q. I'm sorry?

24 A. Yes. To Brandon's mom.

25 Q. What was her name?

1 A. Valerie.

2 Q. How long were you married to her?

3 A. A few years.

4 Q. Are you still married to Francine?

5 A. I am.

6 Q. In looking at the records -- I know this is
7 personal stuff, and I'm not going to spend much time on
8 it, but I just wanted to clarify in terms of timing.

9 The records I've seen indicated that you
10 filed a petition for dissolution in 2015.

11 A. I did.

12 Q. But it got dismissed in early 2016?

13 A. Correct.

14 Q. And then you and Francine entered into a
15 post-nuptial agreement in November of 2015?

16 A. I don't remember the date, but, yes, there was
17 a post-nuptial agreement.

18 Q. And that's still in effect? That agreement.

19 A. It is.

20 Q. And then Francine filed a petition for
21 dissolution in March of 2016?

22 A. If that's what the records show.

23 Q. That seems consistent with your memory?

24 A. I guess so. I don't remember exactly months.

25 Q. I understand. But that also got dismissed in

1 June of 2016, correct?

2 A. Correct.

3 Q. Did your lifestyle, workstyle change after you
4 married Francine in 2012?

5 A. My lifestyle changed, yes.

6 Q. How did it change?

7 A. I worked -- I tried to work a little bit less,
8 spend more time with the family, wife, kids, and
9 everything else.

10 Q. And so I'm confused. So your workstyle changed
11 a little bit and you tried to work less?

12 A. Yes.

13 Q. How about your lifestyle? Did it change?

14 A. I always owned a home. I always owned cars. I
15 always -- I lived in Paradise Valley for a while. We
16 moved to Scottsdale. Both comparable houses, close to
17 \$2 million houses.

18 Q. Let me talk to you about that because I think
19 it's relevant for us. Do you think Denny Chittick was
20 impressed by your lifestyle? The wealth, the success,
21 that kind of thing.

22 MR. STURR: Foundation.

23 A. No.

24 Q. (BY MR. DeWULF) He never expressed that to
25 you?

1 A. No.

2 Q. The reason I ask is that you had indicated that
3 money was important to him and that he could sometimes
4 measure success by financial aspects. So when he sees
5 someone like yourself, who is successful, making money,
6 driving nice cars, has a nice house, that prompts the
7 question. But you're saying you don't think that's the
8 case?

9 A. He would rather see \$10 million in the bank
10 account than it be sitting in a car or a house. That
11 was him. Show him a bank account with \$10 million, he's
12 impressed. Show him a mortgage of \$10 million, he's not
13 so impressed.

14 Q. Let me kind of go through a couple of things.
15 You worked with Eric Weinbrenner at Easy Homes from
16 roughly 2008 to 2010.

17 A. Probably.

18 Q. Did you have a falling out with
19 Mr. Weinbrenner?

20 A. At some point, yes.

21 Q. Was that, like, in 2011?

22 A. I don't remember.

23 Q. Do you remember what it was based on?

24 A. The falling out?

25 Q. Uh-huh.

1 A. He said that he wanted to move the business in
2 a different direction. He wanted to bring in a third
3 partner to -- I can't really remember -- concentrate on
4 other aspects of something or another. I don't know
5 what he was talking about.

6 At that point, I didn't need him. He
7 really was not around much. I thought our partnership
8 should be more of a 50/50 and it wasn't. He'd show up
9 at 11:00 or 12:00 in the office, stay till 3:00 and
10 leave.

11 So at that point, I decided, well, there's
12 really no need for this, and I went and rented an office
13 space myself.

14 Q. So the records I've seen indicate that you were
15 actually a partner with Gregg Reichman in Active Finance
16 Group. Was that right?

17 A. Partners with Gregg?

18 Q. Yes.

19 A. I was never partners with Gregg.

20 Q. You were never an investor with him?

21 A. No.

22 Q. Was Mr. Weinbrenner a partnership with
23 Mr. Reichman?

24 A. He was.

25 Q. I apologize. I was confused.

1 A. There were a few partners with Gregg.

2 Q. You were -- I'll use the word "star" loosely.

3 But you were one of the individuals that was the focus
4 of this TV show Property Wars, correct?

5 A. Yes.

6 Q. And the other individuals that were in that
7 show were John Ray, Doug Hopkins, Ed Rosenberg, Steve
8 Simons and others.

9 A. Yes.

10 Q. How did you get started in that? How did it
11 come to be that you would be the focus of a TV show like
12 that?

13 A. If I recall correctly, I think the Discovery
14 Channel just contacted me.

15 Q. Do you know how they knew about you?

16 A. I don't. If I did, I don't remember.

17 Q. Did they just follow you around in your normal
18 everyday activities with a cameraman?

19 A. Yes. Well, it's a TV show. It's a produced TV
20 show.

21 Q. Was it scripted at all?

22 A. Yes.

23 Q. That ran for a couple of years, 2012, 2013?

24 A. Correct.

25 Q. Do you remember why it stopped?

1 A. I wasn't very happy with the whole thing. I
2 didn't like it. I'm not going to say I'm a private
3 person, but I didn't really like people constantly
4 coming up to me and talking to me. I didn't enjoy it as
5 much as other people on the show. So I didn't really
6 want to do it anymore.

7 They said, "Well, if you're not going to do
8 it" -- and I think someone else on the show wasn't
9 really crazy about doing it anymore. And they said,
10 "Well, there's a million viewers. So we're kind of on
11 the fence if we want to renew or not." So they decided
12 to just cancel it.

13 Q. Did you get paid for that?

14 A. I did.

15 Q. Do you remember what you got paid?

16 A. I don't.

17 Q. Let me go back just on a couple of definitions.
18 The term "wholesaling," as used in the buying and
19 selling of real estate, is that a situation where you do
20 not renovate the house, and you just sell whatever it is
21 you buy?

22 A. Correct.

23 Q. And then, when the term "short sale" is used,
24 what does that refer to?

25 A. A short sale is when you make an offer to a

1 bank to purchase the property that's underwater.

2 Q. Let me ask, briefly, while I'm thinking about
3 this -- and I'm kind of jumping around here, I know.
4 But do you recall doing business with an entity called
5 auctions.com?

6 A. Yes.

7 Q. And were they a company that did auctions of
8 properties in trustee sales?

9 A. Yes, and others.

10 Q. Okay. And do you remember in what capacity you
11 did business with them?

12 A. As purchasing. As trustee sales.

13 Q. Did you ever buy properties from them that were
14 mistakenly the subject of trustee sales -- let me
15 rephrase that.

16 Did you ever buy properties that were
17 mistakenly the focus of trustee sales from auctions.com
18 or involving auctions.com?

19 A. Mistakenly?

20 Q. Yeah. Ones that were put up for sale, but then
21 the owner --

22 A. Yes.

23 Q. What's that? Is there a term for that?

24 A. A rescinded sale.

25 Q. Rescinded sale.

1 From whom would you buy those properties?

2 A. Auction.com or other trustees.

3 Q. And they would pay the money to whoever the
4 title owner was at the time?

5 A. I don't understand.

6 Q. You paid auctions.com, but they didn't own the
7 property that they were selling, right?

8 A. No. They were contracted by the bank, by the
9 lender. The lender asked to foreclose. They'd do the
10 sale for them.

11 Q. I see. So the money would ultimately --
12 auctions.com would take a piece and the money would go
13 back to the bank. They would have a fee, and then --

14 A. Yes. They would send it to the bank, and then
15 the bank would be responsible for issuing a deed.

16 Q. So in some of the Active Funding Group
17 documents, we saw that Mr. Reichman was recommending to
18 you, in the summer of 2013, to change your name from
19 Easy Investments, LLC to Arizona Home Foreclosures, LLC.
20 Do you recall that?

21 A. I do.

22 Q. Do you remember why they were recommending
23 that?

24 A. I'd have to take the Fifth on that.

25 Q. And I didn't mean to be too precise on that. I

1 was really just asking, do you recall changing the name
2 of the company --

3 A. I do.

4 Q. -- as a result of a recommendation by
5 Mr. Reichman?

6 A. I don't -- I believe, yes, I did change the
7 name of the company.

8 Q. And if I were to ask you questions about that,
9 Mr. Menaged, you would plead the Fifth Amendment. Is
10 that what you're saying?

11 A. It depends on what the questions are.

12 Q. Okay. If I were to ask you why you changed the
13 name of the company, would you share that with us?

14 A. Yes, I would. I changed the name of the
15 company at the time because I believed it had something
16 to do with my insurance company. I believe there were
17 too many properties under one umbrella or something like
18 that. There was some issue with the insurance company.
19 I can't remember. That was one of the reasons why I
20 changed the name from one entity to the other.

21 Another one was the recommendation of
22 Mr. Reichman, yes.

23 Q. Do you remember why he recommended that?

24 A. I don't recall.

25 Q. You don't recall why Mr. Reichman thought it

1 would be a good idea to change the name?

2 A. No. I don't remember if it was because I
3 expressed to him the issues with the insurance company
4 or if there were too many under one umbrella or I had
5 too many loans with him under one name. I don't know.

6 Q. So you mentioned earlier in your testimony that
7 you had reviewed Mr. Reichman's deposition testimony,
8 right?

9 A. Parts of it, yes.

10 Q. So you probably know, in this case, that we
11 have raised issues about Active Funding Group and the
12 role they played relative to the injury suffered by
13 DenSco. Were you aware of that?

14 A. Yes.

15 Q. In reading Mr. Reichman's deposition testimony,
16 did you have any reactions to it in terms of things you
17 may have agreed with or didn't agree with?

18 A. I did.

19 Q. Can you share those with us?

20 A. No. I'd have to take the Fifth on that.

21 Q. Okay. I don't want to put you on the spot
22 here, but I have to explore with you so I know what
23 you're saying.

24 A. You can keep asking, of course.

25 Q. Let me back up.

1 So there's this law firm Ajamie.

2 A-j-a-m-i-e. Does that ring a bell with you?

3 A. Yeah. I was contacted by them.

4 Q. Did you speak to anyone from that firm?

5 A. Yes.

6 Q. I've got --

7 A. Refresh my memory of who they are.

8 Q. They are lawyers that were hired by the
9 receiver to look at claims against Active Funding.

10 MR. STURR: Form.

11 A. Yes. I do remember speaking to them.

12 Q. (BY MR. DeWULF) Let me -- I might be able to
13 refresh your memory on this.

14 (Exhibit 1132 marked)

15 Q. Here is a copy for you.

16 MR. STURR: Are you re-marking this, John?
17 This is previously marked in the case as 525.

18 MR. DeWULF: It doesn't do any harm. Let's
19 just roll.

20 This has also been marked. I'm going to
21 show him what has previously been marked as 526.

22 A. I'm looking at this as well?

23 Q. (BY MR. DeWULF) Yeah. I'm going to ask you
24 about this. I'm just trying to refresh your memory
25 about timing and people.

1 MR. STURR: Can we be clear on the record
2 what you just handed the witness?

3 MR. DeWULF: I will. So I'm showing him
4 exhibits previously marked 526, 527, and 525 was
5 re-marked.

6 Q. (BY MR. DeWULF) So you don't really have to go
7 into detail on these things. But 525, which is now
8 1131, tells you -- and it's a letter from Ryan Anderson,
9 who is counsel for the receiver. And he's saying we've
10 retained these folks as special counsel to look at and
11 investigate potential claims against Active Funding.
12 And then the follow-up notes are from this firm
13 Ajamie -- I think it's pronounced, but I could be wrong
14 about it.

15 So do you see -- so 526 --

16 MR. RUTH: I'm sorry. This is actually
17 1132.

18 MR. DeWULF: Okay. Got it.

19 Q. (BY MR. DeWULF) It looks as though this Jack
20 Edwards reached out to you to talk to you about what you
21 recall regarding the interaction with Active Funding and
22 DenSco. Do you recall that? I mean, do you recall
23 actually talking to that gentleman?

24 A. I recall getting this letter. I'm trying to
25 think if he actually came here. I thought I only had

1 one visitor.

2 Q. So --

3 A. Did he say that he came? I can't remember.

4 Q. I don't mean to imply anything other than we've
5 seen these letters and documents. It suggested to us
6 that there was an effort to talk to you about what you
7 recall regarding the Active Funding Group.

8 A. It was. And I don't believe anything
9 transpired with it. At the time -- yeah. That's it. I
10 don't believe anything transpired from that.

11 Q. But does this refresh your memory that, as of
12 today, you know that the receiver has actually hired
13 lawyers to look at claims against Active Funding?

14 A. I did know that, yes. It's bothering me right
15 now because I'm trying to remember the time frame, and I
16 can't remember if the man actually came here. I don't
17 think -- I've had other visits -- legal visits and
18 stuff. Nothing to do with Active at all.

19 And I'm just trying to -- I don't remember
20 having this conversation. I don't remember meeting with
21 him, no. I don't think he did come here.

22 Q. Have you talked to anyone about your
23 recollections regarding Active Funding and the role they
24 played with respect to these double-lien issues that
25 occurred?

1 A. Anyone at all?

2 Q. Anyone at all.

3 A. I'd have to take the Fifth on that. I can't
4 answer that.

5 Q. So I'm going to explore this with you and
6 you're just going to have to tell me.

7 A. Okay.

8 Q. If I were hired as special counsel to help the
9 receiver or any party in the case, to pursue potential
10 claims against Active Funding, could you share with me
11 your view and experience in that regard?

12 A. I cannot.

13 Q. So this whole topic of what Active Funding and
14 its representatives may have done to injure DenSco is a
15 topic that you are going to invoke the Fifth Amendment
16 on?

17 A. I would have to, yes.

18 Q. Is that because, in talking about that subject,
19 you think you will implicate yourself?

20 A. Myself or others, yes.

21 Q. So will -- will you be willing to talk to
22 counsel who actually is hired by the receiver for the
23 purpose of pursuing a claim against Active Funding?

24 A. Short of an agreement -- absent an agreement
25 between me and the receiver and the U.S. Attorney's

1 Office, I would not be willing.

2 Q. So do you recall entering into this settlement
3 agreement with the receiver that arose out of their
4 claims against you?

5 A. I do.

6 Q. And do you remember there was a cooperation --
7 and I'll show you that document in a moment. But do you
8 remember there was a cooperation provision in there
9 where you've agreed to cooperate with them and they've
10 agreed to cooperate with you? Do you recall that?

11 A. Yes.

12 Q. Do you think sharing information with the
13 receiver's counsel about potential claims against Active
14 Funding, because they may have caused injury to DenSco,
15 would be an area you would talk to them about because of
16 this agreement you made to cooperate?

17 A. Possibly. With an agreement also with the U.S.
18 Attorney's Office, yes.

19 Q. What is it you need from the U.S. Attorney's
20 Office?

21 A. I would need to talk to them about immunity and
22 other things.

23 Q. Let me ask a yes or no question. Do you think,
24 based on what you know, that there are grounds upon
25 which Active Funding could be found liable for monies or

1 damages caused to DenSco?

2 A. I have to take the Fifth on that. Sorry.

3 Q. Would it be fair to say that -- all right. I
4 respect that. I'm trying to figure out --

5 A. I was upfront with you in the beginning about
6 certain things.

7 Q. I'm not critical of you. But I've got a job in
8 terms of trying to find out what I can explore with you.

9 A. I completely understand.

10 Q. Let me ask some factual questions.

11 A. Okay.

12 Q. In 2011 or so, you began double-liening some
13 properties, that is, borrowing money from more than one
14 lender secured by the same property purchased at trustee
15 sales. Fair?

16 A. Fair.

17 Q. And that continued on really until perhaps as
18 late as 2015, right?

19 A. No.

20 Q. Okay. When do you think that stopped?

21 A. Probably 2012.

22 Q. So the -- do you remember Mr. Reichman
23 testifying that when he discovered that there were
24 double liens on some of the properties securing his
25 loans, that you explained to him that your companies had

1 been going so quickly and moving so fast that you just
2 lost track of the loans on the properties, or something
3 to that effect?

4 A. I don't recall that conversation.

5 Q. All right. Do you remember explaining to
6 Mr. Reichman in 2012 how that double-liening happened?

7 A. I would have to take the Fifth on that.

8 Q. Do you remember talking to Denny Chittick about
9 the fact that there were double liens in 2012?

10 A. Yes.

11 Q. Do you remember what you told him as to what --
12 how that came about? How that occurred.

13 A. I believe I told him there was an employee
14 fraud.

15 Q. Do you recall, chronologically, that there
16 were -- that you began double-liening in 2011.

17 Let me just ask you. Why did you -- was it
18 just for the money? Why did you choose to take
19 competing loans on the same property?

20 A. It was not for the money. I can't -- I'm
21 sorry.

22 Q. You can't talk about it?

23 A. I'm sorry.

24 Q. It appears, chronologically, that in 2012, this
25 double-liening issue came to light, and Mr. Reichman at

1 Active Funding learned about it and Mr. Chittick at
2 DenSco learned about it. Is that consistent with your
3 memory?

4 A. Yes.

5 THE REPORTER: I'm sorry? Did you object?

6 MR. STURR: Form and foundation is my
7 objection.

8 Q. (BY MR. DeWULF) And I can show you documents,
9 but I don't want to slow this down. And I know you're
10 busy, and I know we've got lunchtime coming up, so I
11 want to cover as much as I can.

12 It appears in the documents that in
13 September of 2012, this came to light where you and
14 Mr. Reichman and Mr. Chittick were talking about
15 addressing this double-liening issue that had arisen.
16 Is that consistent with your memory?

17 MR. STURR: Form.

18 A. When?

19 Q. (BY MR. DeWULF) September of 2012.

20 A. I thought it was after that, but if that's when
21 you say it is.

22 Q. Then let me maybe explain a little bit more.
23 Chronologically, it looks like everyone was kind of
24 working their way through the 2012 issue when more
25 problems occurred. And then, in the fall of 2013, it

1 was a larger issue that required, again, Mr. Reichman's
2 involvement at Active Funding and Mr. Chittick's
3 involvement at DenSco.

4 MR. STURR: Object to the form of the
5 question. Foundation.

6 A. I don't understand the larger thing that
7 happened in 2013.

8 Q. (BY MR. DeWULF) Okay. Do you remember two
9 separate points in history as it related to this
10 double-liening problem? One in the fall of 2012 and
11 another in the fall of 2013.

12 A. If you're referring to as to what they referred
13 as fraud 1 and fraud 2, yes.

14 Q. No. I'm really kind of talking about something
15 else.

16 A. Then no.

17 Q. Okay. In the fall of 2013 --

18 A. Right.

19 Q. -- there were communications between you and
20 Mr. Reichman and Mr. Chittick about how to work your way
21 through the fact that there were now multiple properties
22 with two liens on them, right?

23 A. Yes.

24 Q. And you had -- there were a number of
25 properties where there were competing deeds of trust

1 from AFG and DenSco on the same property, right?

2 A. Yes.

3 Q. And there are also instances where DenSco was
4 secured by a property that was also securing loans from
5 other lenders other than AFG, right?

6 A. That's correct.

7 Q. And do you recall that there was a lawyer
8 representing a group of lenders who were raising issues
9 about this double-liening issue as it related to their
10 loans in late 2013, early 2014?

11 A. Yes.

12 Q. And so you and Mr. Reichman and Mr. Chittick
13 had to work your way through trying to address liens
14 from these other borrowers and also trying to address
15 the competing liens between AFG and DenSco on properties
16 that you owned, right?

17 MR. STURR: Object to the form of the
18 question.

19 A. Yes.

20 Q. (BY MR. DeWULF) I'll stop you there. I'm
21 going to come back to this because I'm going to have
22 some documents, but I don't want to do that right now.
23 So I want to get more background information from you
24 and then probably take a break.

25 Did we decide what we are going to do for

1 lunch? Are you going to go --

2 A. I don't know if they give me something here.

3 They're probably just going to give me something.

4 Q. Okay. So we were talking about your lifestyle,
5 and I just want to cover a few other things. You
6 indicated that you had had properties in Paradise Valley
7 and Scottsdale. These were big homes, right?

8 A. Yes.

9 Q. The home on Sunnyside Drive in Scottsdale was
10 on two acres?

11 A. About.

12 Q. It had like a lazy river running through the
13 backyard?

14 A. No.

15 Q. Was that the --

16 A. That's Peoria.

17 Q. Oh. Peoria?

18 A. Yes.

19 Q. What's the address there?

20 A. I don't remember. That was a long time ago.

21 Q. Do you remember the address in the place in
22 Paradise Valley?

23 A. No. That was, like, seven or eight or nine
24 years ago.

25 Q. These are all big houses?

1 A. Yes.

2 Q. Over \$2 million worth, right?

3 A. Yes.

4 Q. All had guesthouses and elaborate landscaping
5 and stuff, right?

6 A. Yes.

7 Q. And how long did you own the Sunnyside Drive
8 property? Do you still own that?

9 A. No.

10 Q. Do you remember when you sold it?

11 A. That went to foreclosure about when I was
12 arrested.

13 Q. That was property that was north of Shea, south
14 of Cactus, right?

15 A. Yes.

16 Q. East of the 101 freeway?

17 A. Yes. I was trying to rent it while I was here
18 for a while and going back and forth. In fact, I'm not
19 even sure -- I know there was some disputes about
20 whether it was going to sale or not. I may still own
21 it. I don't have any information on that.

22 Q. So let me talk about the cars because I have
23 read about this, and I want to ask you about it. You
24 owned a lot of fancy, expensive cars over time, right?

25 A. Yes. In the 2000s. Starting from the 2000s

1 on, yes.

2 Q. And at times, you might have four or five cars
3 at one time?

4 A. Yes.

5 Q. The cars we're talking about are
6 Lamborghinis --

7 A. No.

8 Q. -- Mercedes?

9 A. Yes.

10 Q. Porsches?

11 A. Yes.

12 Q. Aston Martins?

13 A. Yes.

14 Q. Bentleys?

15 A. Yes.

16 Q. Was there a point in time where both you and
17 your wife had Bentleys?

18 A. Yes.

19 Q. When was that?

20 A. It was 2000- -- maybe '12. '11, '12 area.

21 Q. At one point, did you buy her a Mercedes G
22 Wagon?

23 A. We traded one of the cars in for it, yes.

24 MR. DeWULF: Let's go off the record for a
25 minute.

1 (Recess at 10:53 a.m. to 11:05 a.m.)

2 Q. (BY MR. DeWULF) Let me -- I'm going to circle
3 back on a couple of things, and then I'm going to show
4 you some of these documents from 2012 that might refresh
5 your memory on things.

6 So you mentioned early in your testimony
7 about the fact that Denny Chittick had some medical
8 problems you were aware of and was actually seeing a
9 doctor. Do you recall that?

10 A. Yes.

11 Q. Do you remember what the condition was he was
12 suffering from?

13 A. I know -- at some point, he had some skin
14 cancer. He went in for another follow-up and his levels
15 were completely off, so they wanted to run more tests
16 and stuff. This was about three or four months before
17 his suicide.

18 And he never told me -- he never told me
19 what happened after that. He just said that they wanted
20 to run more tests on him. I don't think he actually
21 went back. From what I understand, he didn't go back to
22 the doctor, from what he told me.

23 Q. Do you happen to remember who the doctor was he
24 was seeing?

25 A. [No audible response].

1 Q. This would be evidence of him sharing with you
2 personal information, right?

3 A. Yes.

4 Q. Did you also share personal information with
5 him in your life outside of work?

6 A. I did.

7 Q. So I want to make sure when -- when I'm asking
8 you questions about the Active Funding involvement,
9 you're saying "I can't answer that" and you're invoking
10 the Fifth Amendment, correct?

11 A. Correct.

12 Q. If we were to deem this portion of the
13 deposition confidential under the protective order,
14 would you be willing to answer the questions?

15 A. I really don't know because I don't have a
16 counsel. I can't answer that. I'm not sure. I don't
17 know.

18 Q. Well, none of us can advise you.

19 Let's just take a piece at a time, and
20 you'll just have to tell me what you're comfortable
21 with. Again, at any point in time --

22 A. Deeming it confidential doesn't mean anything.
23 You can deem it confidential. The receiver goes to the
24 court and they say it's not confidential, and it ends up
25 on a website. I'm not doing that.

1 When it comes to this, we go around and
2 around in circles. Unless we have a stipulated
3 agreement beforehand to say, look, we are okay with
4 this, I mean -- I can't imagine, for the life of me, why
5 this transcript would have to go on a public website. I
6 can't even imagine why that would have to happen, why
7 that's so important to the receiver. When there are
8 children involved, why would you do that?

9 So I'm becoming annoyed with the receiver
10 in that regard because I have a family too that I need
11 to protect.

12 So if you really want the truth and you
13 really want to get to the bottom of everything, you have
14 to protect my family as well.

15 Q. Are you worried about talking about AFG here
16 today?

17 A. I will not talk about AFG today.

18 Q. So one of the things that would give us a
19 greater chance of maintaining confidentiality is a
20 stipulation with counsel?

21 MR. DeWULF: And, Geoff, I think on these
22 areas of Active Funding Group and the development of
23 those facts, it helps us both because you guys probably
24 have a tolling agreement. You're going to be pursuing
25 claims against them, as are we. So this witness sharing

1 that information, it seems to me, is in our common
2 interest. What do you think?

3 MR. STURR: I don't think we can do it
4 ethically, John. This witness has testified that he has
5 a fear of criminal prosecution. He stipulated or
6 testified that the only way to resolve that would be an
7 agreement that would involve the U.S. Attorney's Office.
8 And I'm not comfortable entering into any agreements
9 with respect to the treatment of his testimony regarding
10 Active Funding Group where the witness is saying that --
11 he just testified that he has reason not to give
12 testimony. So that's as far as I need to go, John.

13 So I'm not going to stipulate to anything
14 right now.

15 MR. DeWULF: What happens when your lawyer
16 wants to develop this case against AFG? Are you not
17 going to talk to him?

18 MR. STURR: John, the -- I imagine the
19 answer is going to be the same, which is, if he believes
20 he has a potential criminal exposure, he's taking the
21 Fifth Amendment. He's going to get the same answer.

22 Q. (BY MR. DeWULF) Well, I can't get in your
23 head. And I don't know what your fear is that's
24 actually criminal exposure or if it's something else. I
25 suspect it's something else. I'm trying to give you a

1 comfort level.

2 Do you think that if you -- if you were
3 assured that the transcript of your testimony were only
4 used in court proceedings with the judge and the
5 parties, does that meet your concerns, or do you still
6 have concerns?

7 A. Possibly that will meet my concerns.

8 Can we go off the record for a second?

9 Q. Yeah. Let's do.

10 (Discussion off the record)

11 Q. (BY MR. DeWULF) I'm going to try to get into
12 this 2012 time frame with you. I'm going to show you
13 what has been marked previously as Exhibit 488, and I'll
14 show you 492, 491, 494, and 495.

15 Mr. Menaged, you'll see these are
16 communications of the fall of 2012. Earlier, I was
17 trying to refresh your memory about the chronology of
18 things.

19 So let's look at 488 first.

20 A. Okay.

21 Q. No. So it's a multipage document, as you see.
22 But it's basically communications between you and
23 Mr. Reichman and Ms. Castro. And Jody Angel is also in
24 some of these.

25 Let me focus on the third page of the

1 document. At the bottom of that third page, Reichman is
2 asking Veronica to look at a few properties. She
3 identifies three properties. They're trying to get a
4 sense of the financing between DenSco and Active Funding
5 Group.

6 And then Reichman responds "And it looks
7 like there are deeds of trusts recorded for both
8 companies." Do you see that?

9 A. Yes.

10 Q. So on the bottom of page 2, September 21, 2012,
11 at 5:50, Reichman is saying "Okay. It's an important
12 matter. It looks like these three deals of yours were
13 double pledged to both AFG and DenSco." Do you see
14 that?

15 A. Yes, sir.

16 Q. And you respond later that day "Don't remember
17 them but it's impossible." I think that's what you
18 said.

19 A. Yeah.

20 Q. That's your email and you're writing him back,
21 right?

22 A. Yes.

23 Q. Do you know why you were telling him it was
24 impossible?

25 A. Not to tell him what was going on at the time.

1 Q. Okay. So then he writes "Not impossible. I'm
2 looking at the chains of title sitting in front of me.
3 Both DenSco and AFG has loans on those properties.
4 Veronica told me that DenSco has been paid off and she
5 was waiting for releases. I just spoke to Denny. He
6 indicated he has not been paid off. Please get this
7 squared away as it is troubling. Best regards, GR."

8 Did I read that correctly?

9 A. Yes.

10 Q. So does this refresh your memory that in
11 September of 2012, this issue of double pledging of
12 properties came up between DenSco and AFG?

13 A. Yes.

14 Q. And you say at the top of page 2, "For a small
15 fee, I can do your accounting if you want."

16 A. Yes.

17 Q. You're being kind of sarcastic there?

18 A. Yes.

19 Q. So what did you do when presented with this
20 problem, now that these two lenders have discovered that
21 you double-liened some of the properties you purchased?

22 A. I don't recall.

23 Q. Then look at the first page of 488. There's an
24 email at the bottom that says "Very funny."

25 And then your email back says "Hahaha.

1 Okay if you say so. We will clear up Monday."

2 And then he says "Good. Safe travels."

3 And then you had to then communicate with
4 both Denny Chittick and Gregg Reichman about how to deal
5 with these competing loans, right?

6 A. I would think that's what happened, yes.

7 Q. Then let's look at -- I'll do this in time
8 order if I can. Let's look at 491.

9 Do you remember what Denny Chittick's
10 reaction was when he learned that there were double
11 liens on some of the properties that were securing his
12 loans?

13 A. He was not happy.

14 Q. All right. Do you remember that DenSco's loan
15 documents required that they be in first position, that
16 is, first lien position to other liens, other lenders?

17 A. Yes.

18 Q. Let me walk you through that. You indicated
19 you borrowed from a number of different hard money
20 lenders over the years, correct?

21 A. Yes.

22 Q. Fairly customary among hard money lenders that
23 when they loan money, they require pretty healthy
24 loan-to-value ratio?

25 A. Yes.

1 Q. That means the ratio between the amount of the
2 loan being secured by the property and the fair market
3 value of the property, right?

4 A. Right.

5 Q. And they generally insist upon being in first
6 position from a deed of trust standpoint?

7 A. Yes.

8 Q. That's because that's their security in the
9 event of default on the note secured by the deed of
10 trust, correct?

11 A. Correct.

12 Q. So if there were a default, then you, as a
13 lender, would go through the statutory proceedings to
14 get to a point of a trustee sale, right?

15 A. Correct.

16 Q. And so if you are not in superior lien
17 position, then you have to deal with other lenders and
18 other liens, right?

19 A. Correct.

20 Q. So you knew, when you were borrowing money from
21 DenSco, that they were requiring of their borrowers that
22 their loans be in a superior lien position, correct?

23 A. Correct.

24 Q. And did Mr. Reichman also understand that
25 DenSco, as a hard money lender, was requiring that of

1 its borrowers?

2 A. I'm sorry?

3 Q. Did Mr. Reichman at AFG also understand that
4 DenSco, as a hard money lender, was insisting with its
5 borrowers that DenSco be in first position with its deed
6 of trust?

7 A. Yes.

8 MR. STURR: Form, foundation.

9 Q. (BY MR. DeWULF) But AFG and Mr. Reichman was
10 also requiring its borrowers to be in first position
11 deed of trust, right?

12 A. Yes.

13 Q. So when we're looking at Exhibit 491, what it's
14 telling us is that now we know there are at least five
15 properties that could be the subject of both liens from
16 the AFG loans and liens from the DenSco loans, right?

17 A. Correct.

18 Q. Let's look at 492. This provides more detail
19 to these loans. And it looks like there are -- go ahead
20 and comb through it if you want.

21 But 492 is Mr. Reichman's email to you,
22 copied to his partner, Jody Angel, dated September 24,
23 where he's summarizing your account. And if you'll see,
24 he identifies later in this email where there are
25 issues -- it starts on page 2 -- chain of title issues.

1 A. Yes.

2 Q. And it shows competing DenSco deeds of trust
3 with AFG deeds of trust. Do you see that?

4 A. Yes.

5 Q. Does this refresh your memory that as of
6 September of 2012, Mr. Chittick at DenSco and
7 Mr. Reichman at AFG were aware of the fact that there
8 were competing liens between them on properties that
9 they had lent to you on?

10 A. Clearly.

11 Q. Does this refresh your memory as to what was
12 then done to try to address the issue of these competing
13 liens?

14 A. Yes.

15 Q. What do you remember?

16 A. Denny decided that the solution to this problem
17 was to pay off AFG. Pay all their loans off.

18 Q. Let me come back to that because I think you
19 may be confusing what happened in 2012 versus what
20 happened in 2013. But you're going to -- you're going
21 to --

22 A. You'll have to correct me, then, because I
23 really didn't even remember it was in September.

24 Q. We're going to clarify that.

25 A. Okay. If you show me more exhibits, I can --

1 Q. Let me show you what's been marked as 933.

2 So if you look at the bottom of the first
3 page, Reichman is writing you on November 14. "Please
4 let Denny know that he will receive a single wire in
5 amount of \$415,733 today for full payoff of the
6 following assets," and then it identifies a number of
7 properties.

8 And then, if you look at the back of
9 that -- or the next page, it says "Please also let him
10 know that tomorrow he will receive a second wire, also
11 Note Acquisition Company, LLC, in the amount of
12 \$350,655.25 for full payment of the following assets."

13 So does this refresh your memory that AFG
14 actually paid DenSco off on some of those competing
15 loans that -- on the properties that you purchased?

16 A. I don't believe these were competing loans.

17 Q. Okay. Do you know why Mr. Reichman would be
18 paying Denny Chittick?

19 A. I refinanced the loans at a cheaper rate.

20 Q. Okay. All right.

21 A. This had nothing to do with any of the issues.

22 Q. I understand. Thanks for the -- because it
23 wasn't clear from the context.

24 So what you're saying is that Reichman is
25 buying loans from Denny Chittick because he thinks

1 they're -- he can loan them to you for a lower interest
2 rate?

3 A. Correct.

4 Q. So he's buying DenSco out of those loans?

5 A. Back in -- back when the recession came -- and
6 we touched on it earlier, me doing business with Denny.
7 And during that time, I purchased a lot of properties at
8 a very discounted rate. Brand-new homes, 40- and 50,000
9 dollars, all throughout the west side, Surprise, El
10 Mirage, Sun City, in which a lot of borrowers and people
11 didn't want to touch. They were scared of them.

12 Looking ahead, I believed that there was --
13 even to build them, it would cost double to build these
14 things. So I kind of banked on the future.

15 When Gregg found out, I think -- I don't
16 remember how he found out. But in our conversation that
17 I had with him, he knew that Denny had all these loans
18 with me. And he said, "Look" -- at this point, the
19 prices were going up. And he said, "Look, these things
20 are worth 100- or 150,000 dollars. You only owe 40-
21 50,000 on them. I'll refinance them at a cheaper rate."

22 "Okay. Hey, Denny, you want to give me a
23 cheaper rate on this?"

24 "No."

25 "Okay. Give me payoffs for everything."

1 He gave me the payoffs. I gave them to
2 Gregg. Got them all refinanced.

3 Q. I understand. So AFG was willing to lend you
4 money at something less than 18 percent that DenSco was
5 lending you?

6 A. Yes. I can't remember exactly, but I believe
7 it was at either 14 or 15.

8 Q. So let's look at 494 in your lap there.

9 494. This is -- Mr. Menaged, this is a
10 September 24, 2012, email from Denny Chittick to you.
11 Subject: So. He says "What was the outcome of the
12 research? I never heard back from Gregg either."

13 Any idea what he's talking about there?

14 A. Probably the lien positions.

15 Q. Okay.

16 A. I would assume.

17 Q. Let's look at 495. 495 is an email from Denny
18 Chittick to you, dated September 26, 2012, where Denny
19 is telling you -- and the Subject is I talked to Gregg.
20 He says "He just blamed his to past employees and
21 quickly got off the phone. Trust me, my books are
22 golden, down to a gnat's ass crack. Thanks, DC."

23 Do you have any idea what he's referring to
24 there?

25 A. I do.

1 Q. What do you believe --

2 A. I have to take the Fifth on that.

3 Q. Okay. Does your taking the Fifth pertain to
4 Gregg Reichman's explanation to Denny Chittick?

5 A. Yes.

6 Q. I'm showing you Exhibit 498. So this is a
7 multipage document, Mr. Menaged, but I think you'll
8 surmise, it looks as though you are buying a property
9 through Easy Investments, LLC, out of an auction.

10 And then he asks you "Are we getting the
11 financing on this?"

12 And then you tell -- you tell him you are,
13 at the bottom of the first page. Do you see that?

14 A. So one correction.

15 Q. Yeah.

16 A. What's happening here is I have a website --
17 had a website BuyAZAuctionhomes.com. So when I purchase
18 a property at a trustee sale -- let's just use 123 Main
19 Street as an example. I purchase 123 Main Street, and I
20 put it on this website where I have 35- to 40,000
21 investors throughout the United States and outside,
22 Canada, okay?

23 When I post it on the website, I typically
24 sell the property within an hour to someone, sight
25 unseen, because some investor who does this sees the

1 value in what I'm saying.

2 So when I post it on the website, I'll
3 say -- I'll put a picture of the property. As you see
4 on this exhibit, on 498, if you look at the bottom of
5 page 2, it says "Occupied." "Occupied, five-bedroom" --
6 "two-bedroom [sic] home, appears to be in good
7 condition. Occupant would like to stay and rent or will
8 leave. Contact Veronica."

9 What I'm saying there is I purchased the
10 property. I'm selling it now with or without the
11 tenant. It doesn't really matter. If you don't want
12 the tenants in there, go ahead and evict them. It has
13 nothing to do with me. And then I put a price on it.
14 And then I also put a retail price, what I believe the
15 market value is of that property. So this goes out to a
16 ton of investors.

17 What happened here is Gregg is on that list
18 because he's nosy, not because he's a customer. So he's
19 on that list. So when I send something out, he'll
20 sometimes email back and say, "Hey. Do you need money?"

21 That's what happened here. He copied and
22 pasted my email to me and said, "Am I getting the
23 financing on this?" Just so you're clear on that.

24 Q. That's really helpful. I wouldn't have known
25 that by looking at this thing.

1 So let's go to the first page, because you
2 are saying, "Yeah, we're doing it with you. We've
3 already sent it to your office."

4 Then he says -- at the top of the first
5 page, he said "Good. Thank you. I'm assuming Denny,"
6 paren, "or anyone else," paren, "has no knowledge of it,
7 so we won't have to deal with him recording DOT" --
8 which is probably deed of trust -- "in front of us,
9 correct?"

10 Did I read that correctly?

11 A. Yes.

12 Q. So what is your take on that comment?

13 MR. STURR: Form.

14 A. That's exactly what it says, that there will be
15 one deed of trust on that property.

16 Q. (BY MR. DeWULF) Because he's now sensitive to
17 the fact that there have been some competing liens?

18 A. He wants to be assured that there's no one
19 that's going to be in front of him.

20 Q. So going forward, from September or October of
21 2012, as it relates to your borrowings from Active
22 Funding Group, did you always make sure that they were
23 in first position?

24 A. Going forward, Active Funding Group was always
25 in first position, yes.

1 Q. Okay. Now, on some of those borrowings, you
2 also borrowed money from DenSco, right?

3 A. Yes.

4 Q. So were you continually putting DenSco in
5 second position to AFG on those properties where you had
6 competing loans?

7 A. I believe that's up to a matter of
8 interpretation. I mean, some people will say that
9 they're in first position and some people will say
10 they're in second position. When you look at the chain
11 of title, it's not really clear what position everybody
12 was in.

13 Q. But as it related to buying a property at a
14 trustee sale, at least as to what you could control,
15 were you making sure that the deed of trust of AFG
16 preceded in recording the deed of trust from DenSco?

17 A. Yes.

18 MR. STURR: Objection, form.

19 Q. (BY MR. DeWULF) And were you telling Denny
20 Chittick that that's what you were doing?

21 A. I'll have to take the Fifth on that.

22 Q. Were you telling Gregg Reichman that that's
23 what you were doing?

24 A. I'll have to take the Fifth on that.

25 Q. There would be no way that Mr. Reichman

1 wouldn't know that that's what you were doing, is there?

2 A. I'd have to take the Fifth on that.

3 Q. Did Mr. Reichman know that Denny Chittick
4 believed and DenSco believed that they were in first
5 position on these loans they were making to you?

6 A. Say that again, please.

7 Q. Did Mr. Reichman -- on these properties where
8 he's lending money and DenSco is also lending money, did
9 Mr. Reichman know that Denny Chittick and DenSco
10 believed that they were in first position?

11 A. I have to take the Fifth on that.

12 Q. Okay. Listen, I can tell you're thinking, and
13 that's all I can ask for.

14 A. If I can answer in a way that I could, I will,
15 and that's why I'm taking my time.

16 Q. I get it. I can tell the wheels are turning
17 and that's fine. That's all I can ask for.

18 So you and Denny Chittick, in light of --
19 well, let me back up.

20 Do you remember having conversations with
21 Denny Chittick about a hedge fund that you had contacts
22 with that was interested in buying rental properties?

23 A. Yes.

24 Q. Was that -- was that real?

25 A. Yes.

1 Q. How did you know that? Do you remember? Or
2 how did they come to be in contact with you?

3 A. I believe -- I'm 90 percent sure that I got the
4 contact through Luigi Amoroso. It was someone I believe
5 that bid downtown with him all the time. So he knew of
6 this person or knew of this group.

7 Q. And you talked to Denny Chittick about this
8 opportunity?

9 A. I did. I vaguely remember having a
10 conversation with him about that, yes.

11 Q. Did you ever do business with that hedge fund?

12 A. I did not.

13 Q. What they were interested in was acquiring a
14 group of rental properties?

15 A. Yes. That were already rented.

16 Q. Oh, I see.

17 A. They wanted them occupied already, with leases
18 in place and everything.

19 Q. So they weren't properties being purchased out
20 of trustee sales?

21 A. They weren't.

22 Q. Okay. They had tenants. They were being
23 rented, but they were the subject of trustee sales.

24 A. There are times that when you go to trustee
25 sales, you'll purchase a property, knock on the door,

1 and then realize, "Oh, you're a tenant."

2 Okay. Nothing really changes as far as the
3 eviction process. Within 28 days, they'll be evicted,
4 no matter who they are. But sometimes -- not often, but
5 sometimes, you know -- for instance, during the time
6 that I was buying all these newer homes for 40- or
7 50,000 and, at the time, they were only worth 40- or
8 50,000, that's really what I wanted. I wanted them
9 occupied. I didn't really want the vacant ones.

10 Whether they were tenants or previous
11 homeowners at the time that I bought it, their payments
12 were 16- and 1700 dollars a month. So if I go to them
13 and say, "Hey, you know, pay me 800 bucks a month," and
14 I'm making 18 percent on my money, on \$40,000, I can let
15 this thing go for two or three years, and now it's worth
16 150- or 200,000 again, it works out great.

17 It works out for them. They get to stay
18 there. Their kids get to stay in the same school
19 district. It works out for me because I already have
20 someone in there. Because the second they move out,
21 they'll come and strip the ACs. They'll put concrete
22 down, this, that, and the other. It will be a whole big
23 mess. It's to my benefit, too, to keep them in the
24 property.

25 So these hedge funds -- a lot of these

1 hedge funds, when they would even purchase at a trustee
2 sale directly, they would specifically look for occupied
3 properties. They did not want vacant properties.

4 Q. I understand. Did you ever actually do
5 business with any hedge funds?

6 A. I've sold some properties to different hedge
7 funds in the past, yes.

8 Q. Did you ever do any sort of large-scale work
9 with a hedge fund and tell Denny Chittick about it, or
10 was Denny Chittick ever of the understanding or belief
11 that you were doing business with hedge funds?

12 A. He was under the belief that I was talking to a
13 hedge fund about possibly selling a bunch of properties
14 to them.

15 Q. Did it ever convert to him -- you telling him
16 or him believing that you actually were doing business
17 with hedge funds?

18 A. I don't believe so. But, again, I sold some
19 properties to some hedge funds.

20 Q. I understand.

21 A. Okay.

22 Q. So it looks like, in the lending history of
23 DenSco, that after some of this stuff came to light --
24 and the stuff I'm talking about, the issues that arose
25 in the fall of 2012 -- that the lending volume, that is,

1 you borrowing from DenSco, went way up in early 2013.

2 Do you remember that?

3 A. I do.

4 Q. What do you attribute that to?

5 A. What kind of loans are they?

6 Q. These are double-lien loans.

7 A. Okay.

8 Q. Double-lien loans, and I don't -- my general
9 understanding -- I can't be precise about that because
10 there could be other things going on as well. We are
11 talking about early 2013. And you're right, there was
12 stuff going on then because I know some of the bank
13 stuff started a little bit later. So it looks as though
14 this is -- let me ask it a different way.

15 Denny Chittick learns in 2012 that there
16 are some issues here because he now has to deal with
17 competing with AFG on these loans on some of your
18 properties, right?

19 A. Right.

20 Q. But instead of being more cautious, he doubles
21 down and starts really lending a ton of money to you in
22 early 2013. Do you remember the circumstances in 2013
23 where you were borrowing a ton of money from him?

24 MR. STURR: Object to the form.

25 A. I do remember him loaning more money at that

1 time, and I do remember working with him to try to get
2 out of this mess.

3 Q. (BY MR. DeWULF) Get out of this what?

4 A. Mess.

5 Q. "Mess" meaning the double liens?

6 A. Yes.

7 Q. So by the fall of 2013, roughly November, this
8 problem had become even greater than had originally been
9 discussed, that is, in the fall of 2013, huge volume of
10 loans where there are double liens, where you had bought
11 the property, right?

12 MR. STURR: Object to the form of the
13 question.

14 Q. (BY MR. DeWULF) Did you understand the
15 question?

16 A. No.

17 Q. Make sure and let me know if you don't
18 understand the question.

19 A. I will. I always do.

20 Q. Okay. We looked at these documents regarding
21 the 2012 problem, and it looks like there may be ten
22 properties that are the subject of double liens, maybe a
23 few more but not a lot. Then the volume goes way up.

24 Do you remember that by the fall of 2013,
25 there are dozens and dozens of properties subject to

1 double liens?

2 MR. STURR: Object to the form of the
3 question.

4 A. Yes, I do. And I understand.

5 Q. (BY MR. DeWULF) All right. And you would have
6 been the party -- or, I guess, Veronica Castro helping
7 you would have been the party overseeing getting the
8 loans from both DenSco and the competing lenders, right?

9 A. Yes.

10 Q. Let me go back to the question I asked a little
11 earlier, which is, do you know why the number of loans
12 you got from DenSco went up so dramatically in 2013?

13 A. Yes.

14 Q. What's the reason for it?

15 A. I have to plead the Fifth on that.

16 Q. Say it again.

17 A. I cannot answer that. I have to plead the
18 Fifth on that.

19 Q. All right. So when you were double-liening in
20 2013, did Active Funding know you were double-liening
21 with DenSco?

22 A. I have to plead the Fifth.

23 Q. Just so that I'm clear about -- I want to frame
24 this up so you understand what I'm asking. So we looked
25 at Exhibits 498, 490, 488, 491, that had to do with some

1 of these problems presenting themselves in the fall of
2 2012 where it's clear that you have taken loans out from
3 DenSco and AFG on the same property.

4 A. Yes. A first loan and a second loan, yes.

5 Q. And you had started doing that in 2011, right?

6 A. I don't recall.

7 Q. If I were to tell you that the records indicate
8 that you were starting to double-lien some of these
9 properties you were purchasing with competing lenders in
10 2011, would you disagree with me?

11 A. I wouldn't disagree with you if you're telling
12 me that's what the records show. But keep in mind
13 something else, just because the records show that
14 doesn't mean that there was anything -- let me give you
15 an example.

16 I purchase 123 Main Street at an auction.
17 AFG finances it for me. I sell it to you. You want to
18 get a loan from Denny. Denny pays off AFG. Denny
19 records a lien at the same time AFG already has a lien.
20 It's just a one-week transition period of this
21 happening, but nothing ill happening about it. It's
22 just how it is.

23 So I've heard the receiver say before,
24 "Well, this started in 2011." I'm going to dispute
25 that. No, it didn't. You may have seen some things

1 that looked irregular. But if you look at anyone that
2 purchases down at trustee sales, this happens all the
3 time. This is not something that's abnormal to happen.

4 Because there is a period of time there of
5 you wire the money to Denny. Denny wants to make sure
6 the money clears and everything is good. Now he records
7 his lien -- no, his release. That takes two days for
8 him to prepare and actually go to the bank. Someone has
9 to notarize it for him because he doesn't notarize his
10 own signature, and then go ahead and record it.

11 Because of that, there is that period of
12 time there that could be a week or so -- not months, a
13 week or so -- of overlap.

14 Q. I understand. I understand there can be an
15 overlap.

16 So let me frame the question this way where
17 you or Veronica Castro, on your behalf, is currently
18 taking loans out from two different lenders on the same
19 piece of property. Do you understand that framework?

20 A. I do.

21 Q. When did you start doing that?

22 A. I believe that started in 2012 at some point.

23 Q. When in the year? Do you remember?

24 A. I do not.

25 Q. It appears that that problem -- I call it a

1 problem. It's a problem for the lenders -- comes to
2 light in the fall 2012. Does that square with your
3 memory or not?

4 A. Yes.

5 Q. And the two primary lenders in that time frame
6 are Active Funding Group and DenSco, right?

7 A. Correct.

8 Q. And they've got to try to work things out among
9 themselves because they both are secured by the same
10 property and -- right?

11 A. Yes.

12 Q. And the aggregate value of both loans might
13 exceed the fair market value of the property they're
14 secured by, right?

15 A. Yes.

16 Q. So that presents an issue for a lender, right?

17 A. It could.

18 Q. So let me go back to the question. Do you
19 recall that your borrowings from DenSco went up over
20 time, from early 2013 into the fall of 2013?

21 A. Yes.

22 Q. And can you share with us why that was.

23 A. I feel like you've asked me this and I
24 cannot --

25 Q. I asked it a little differently.

1 A. I can't.

2 Q. All right. Did your borrowings from Active
3 Funding Group go up over the period of early 2013
4 through the fall of 2013?

5 A. I believe it did.

6 Q. Okay. It appears from our records that as of
7 late November of 2013, it's news to Denny Chittick that
8 there are competing loans on some of these properties
9 you purchased. Is that your memory as well?

10 A. In 2013?

11 Q. Yeah. Fall or -- November 2013.

12 A. I thought in the fall of 2012 he was aware of
13 it.

14 Q. Well, he's aware of a limited number of loans
15 between AFG and DenSco. And what I'm reading in the
16 documents is that as of the fall of 2013, it involves
17 multiple lenders and a larger volume of loans. I'm just
18 sharing that with you based on what I've seen.

19 So when Denny Chittick learns of this
20 situation where there are competing loans from different
21 borrowers with the DenSco loans on the same properties
22 that you've purchased, was he upset by that?

23 MR. STURR: Object to the form of the
24 question.

25 A. He was confused. He knew that I didn't need

1 the money. He didn't understand what was going on, and
2 that was it.

3 Q. (BY MR. DeWULF) Do you know whether, in
4 November of 2013, Mr. Reichman and AFG knew what the
5 situation was up to that time as it related to competing
6 loans on the properties that you were purchasing?

7 Let me rephrase that. Would you agree with
8 me that it wouldn't have been a surprise in November of
9 2013 to Mr. Reichman that there were competing loans on
10 these properties that you were purchasing?

11 A. Correct.

12 Q. That's because you've been keeping him informed
13 along the way as to what you were doing as a borrower,
14 right?

15 A. I have to take the Fifth on that.

16 Q. Why did -- sitting here today, looking back on
17 it -- you indicated a moment ago you didn't need the
18 money. So why did you do it?

19 A. Let me think this through a second.

20 At the time that the recession came and all
21 the properties were down in the dumps, I had, I'm going
22 to say -- and this is all speculative -- approximately
23 50, 60 loans with DenSco. They were all underwater at
24 that point.

25 Q. You said "underwater"?

1 A. Underwater.

2 As you know, I talked with Denny on a daily
3 basis, sometimes, like you said, a dozen times a day.
4 He was going through a very, very difficult time at that
5 point because of all the borrowers -- well, most
6 borrowers were letting these properties go, and he
7 became a landlord.

8 He wasn't in this to become a landlord.
9 His business model is not to be a landlord. He now has
10 lent, for instance, \$250,000 on a property that's not
11 worth 65,000, and on and on it goes. It goes around and
12 around, and every day he is getting hit with more and
13 more properties.

14 We talked daily and I tried to calm him
15 down. At some point, I wanted to say to him, "Hey, you
16 know, I'm kind of in the same boat here." But because I
17 felt like I had such a friendship with him for so long,
18 it's my fault. I'm in the position because I'm not a
19 idiot, not because I profited from the stupid thing. I
20 tried to help him. I thought I could solve his problem.
21 I really did.

22 I didn't want to tell him, "Look, there is
23 no possible way for me to continue like this. There is
24 no way." If I gave him back all 50 or 60 properties at
25 a time, he would implode. That would be it. He would

1 be done. There would be no possible way for him to be
2 able to recover, based on the properties that I had.

3 I remember there was a -- there was
4 specific properties I remember in my mind that were
5 worth \$30,000. 30,000. And I had a loan with him for
6 300,000.

7 Q. Is this in that time frame right after the
8 recession?

9 A. Yes. Everything just went down a hundred
10 percent, especially in Arizona. I mean, Arizona, Las
11 Vegas, those were a couple of places that really got hit
12 hard.

13 So as the days went on and as he talked to
14 me more and more, and I met with him a few times -- not
15 about my properties but just about his overall issues --
16 we drove out to a couple of properties, these properties
17 that these borrowers were letting go. I gave him my
18 suggestions of what I thought I could, what we could
19 do -- not "we," meaning for him -- what I could help him
20 with. No profit to me or anything, just a friend.

21 You know, "Maybe let me see if I can get
22 this rented for you. Let me see if" -- he wasn't -- he
23 wasn't in that position to do it. He wasn't set up for
24 any of that. I said, "Let's talk to this rehab guy.
25 Let's get it rehabbed. Let's do this. Let's do that."

1 They kept stealing his ACs, on and on and
2 on. So I got him hooked up with a company that they put
3 an alarm inside the AC, that goes to the police
4 department.

5 He went through all this stuff, you know.
6 And a few times, I realized that he wasn't -- he was
7 fragile. I always knew he was fragile, but I started to
8 discover he was even more fragile than I thought.

9 Q. Can you put a timing on that? Is that '09?
10 2009?

11 A. No. This was in '09, '10, maybe --

12 Q. Keep going.

13 A. -- approximately.

14 I continued to make my payments on all
15 these properties. The rental market went down
16 completely. Most of the tenants left that I had.
17 Couldn't sell them, so I had to rent them.

18 My payment to him is \$3,000 a month, and
19 I'm renting them for \$1200, where before all this
20 nonsense was going on in the market, I was renting them
21 for -- I was paying him \$1200 and renting them for 1200
22 or 1500 and just waiting for the appreciation.

23 He made comments to me during that time
24 of -- "I swear I was going to kill myself." And in the
25 beginning, I didn't take anything that serious. I was

1 just like, "Shut up. Just stop." But I heard it a
2 couple of times when he was really down on some of these
3 properties.

4 And then I started thinking, would he? I
5 was confused. Like, would he actually do that?

6 So then I would make up -- I would say a
7 couple of things at different times, you know, like,
8 "All this stress I got in this furniture store, I swear,
9 if I was the kind of person to kill myself, you know,
10 now would be the time," to see his reaction, and there
11 never was one. There was never a reaction of -- "Yeah,
12 I know what you mean," or "No, I would never do that."

13 So I started to get concerned about him,
14 about what he was thinking. I knew he had just taken
15 more and more properties back, and I couldn't turn
16 around and say, "Hey, I'm folding my hands too. Here.
17 Legally, take all of your properties back. So what? I
18 lose the down payments. Okay, I lost \$3 million.
19 Better than losing \$30 million. Let's just move this
20 along and be done."

21 I couldn't do it because I didn't know what
22 was going to happen to him mentally. I couldn't do it
23 because he was a friend.

24 And I really thought I could resolve this,
25 so I said, "What I'm going to do is there will be two

1 loans on these properties to access money."

2 Keep in mind, my lifestyle didn't change.

3 I did not bring my lifestyle down in the least bit.

4 Maybe I should have at the time, but I didn't. I still

5 had my mortgage on my house. I still had my cars. I

6 still went to Barrett-Jackson every year. Nothing

7 changed for me.

8 I said, "Okay, if I strategically think

9 about this and where the market is today, if I buy these

10 properties at such a low number, even if" -- I mean, if

11 you do the math, if I paid \$50,000 for a property, okay?

12 And let's just say DenSco loaned 40,000 and Active

13 loaned 30,000. So I've got 70,000 on a property that I

14 paid 50,000 for. There is no way the house is worth

15 50,000 at this crazy market. At that moment it is, but

16 nobody is looking at it at that moment.

17 So, okay, I take that \$20,000 and then the

18 next 20,000 and the next 20,000 on the next deal,

19 double-encumbering these things, and I take that

20 money -- and after my salary and living, my normal

21 living, I take that money and I put back into DenSco,

22 into the upside-down loans, and I start clearing them

23 out.

24 For instance, a property on Alice or

25 something or some random property that just sticks in my

1 mind, you know, I started paying it down. Here's
2 50,000. Here's 40,000. Here is this.

3 Denny was very appreciative. Look at this
4 guy. He's giving me all this money and paying all this
5 stuff down, and these things are not worth dirt. Even
6 the dirt price is not working.

7 Paying down, paying down. Finally
8 releasing. Selling them -- sell them off for 30- or
9 40,000 dollars. Take that money and keep putting it
10 into the next one. There's tons of properties. I had
11 so many properties at the time that the market burst.

12 Looking back, if I did anything wrong in my
13 life, it's that I should have told him upfront. I
14 should have just told him, "Here you go. Take all your
15 properties."

16 Q. What you just described for us, is that still
17 in that 2009-2010 time frame?

18 A. I'm going into 2011 and continuing. Now it's
19 continuing. Now we're going into the period of time
20 of -- "Okay. How do I get out of this?"

21 I missed a step.

22 Q. How do you get out of what? What is it you are
23 trying to get out of?

24 A. Okay. How do I get out of these large loans of
25 300- or 400,000 dollars of properties that are worth 50-

1 without just picking up my hands and saying, "Here.
2 Just take them all back. I don't care about you, your
3 safety, your health or anything else or your business.
4 Get lost."

5 Q. So instead of turning the properties over or
6 just defaulting, the properties are underwater and you
7 stay with it?

8 A. And I decide that from -- which started the
9 mistake, from 2009, 2010, 2011, I'm going to continue to
10 make these payments to him and I did. Month after
11 month, 40-, 50-, 70,000 dollars a month in mortgage
12 payments, year after year after year.

13 How long can I do it? I'm not Bill Gates.
14 Yeah, I had millions and I lived good and I have this
15 and I have that and I'm saving since I'm 18 years old.
16 But how long can I go like this until this bursts? This
17 doesn't work.

18 So now I'm in it for now almost \$3 million
19 of just interest payments. These are not principal.
20 This is not like you went out and took a home mortgage.
21 My balance is never going down. I'm just paying
22 interest. We are not going anywhere here.

23 As of 2009 comes and 2000- -- the market is
24 going down. It's not going up. I'm like, "Okay. Is
25 this property ever going to recover the 300,000? I

1 don't see it." Looking at it at that point, I don't see
2 it. I don't ever see it.

3 Q. Were you rationalizing buying -- or taking on
4 more loans from DenSco in 2013 to help pay off the -- on
5 the properties that were underwater that you had been
6 supporting all that time?

7 A. Yes. That's what happened.

8 Q. All right.

9 A. So I came up with a formula in my mind. Okay,
10 what's better for DenSco? Is it better for DenSco to
11 have this loan outside for 300,000 that I owe him for an
12 asset worth 30,000, or is it better for DenSco to be in
13 a different, let's just say, a property worth 100,000
14 where he's negative 10,000? What's better.

15 Q. So it appears from what we've read that in the
16 fall of 2013, you and Denny Chittick have to start
17 formalizing how you do business together to work your
18 way out of these loan issues. Do you recall that?

19 A. I do. If you're talking about the forbearance
20 agreement.

21 Q. Yeah. We're talking about the forbearance
22 agreement that ends up getting negotiated in 2014.

23 A. I do remember that.

24 Q. Let me go back to 2013 and then probably wrap
25 up for lunch and take a break.

1 It appears -- and you met -- you read
2 Mr. Reichman's testimony, right?

3 A. A portion of it.

4 Q. And so, in it -- I'm digressing, but I'm not.
5 In it, he describes you as being friends. Do you agree
6 that you and he were friends?

7 A. Yes. For a long time.

8 Q. So he qualifies this as being a business
9 friendship, as opposed to something else. Do you
10 remember that testimony?

11 A. I don't remember the testimony, but I would
12 agree.

13 Q. Would that be a fair description, that your
14 friendship with him was more of a business friendship
15 than a broader social and other aspect friendship?

16 A. Yes.

17 Q. All right. So he testifies, if you recall,
18 that in the fall of 2013, you and Denny Chittick tell
19 him, in connection with working through these competing
20 loan problems, that you're going to be partners going
21 forward.

22 Do you remember telling Gregg Reichman that
23 you and Denny Chittick were going to be partners?

24 A. I don't recall.

25 Q. And the concept he was capturing was that you

1 and Denny Chittick would work together in terms of --
2 because you understood properties really well, you could
3 either retail or wholesale properties and make enough
4 money from that process to help pay off some of these
5 loans that were in trouble. With that kind of detail,
6 does that help refresh your memory?

7 A. I remember we had some conversations maybe
8 similar to that. I really don't -- I mean, we are
9 talking seven or eight years ago. I don't remember.

10 Q. Do you remember generally, Mr. Menaged, how you
11 and Denny Chittick agreed you would address these loan
12 problems in the fall of 2013?

13 A. Yes.

14 Q. What do you recall?

15 A. I was going to continue to purchase properties,
16 and the profits from these properties were going to
17 go -- the profits of the new properties would go into
18 paying off the older properties, similar to what I did
19 with the first bunch of properties.

20 Q. In the market conditions that were prevailing
21 in fall of 2013, did you believe you would be able to,
22 based on your knowledge and experience, generate profits
23 that you could pay off those problem loans?

24 A. Yes.

25 Q. Did you share that with Denny Chittick?

1 A. Yes. We both agreed.

2 Q. In other words, you both believed that, through
3 your expertise, you guys could get into a position of
4 creating profits to buying properties and reselling them
5 to pay off the loan problems?

6 A. Correct.

7 MR. DeWULF: Let's take a break.

8 (Recess from 12:04 p.m. to 1:21 p.m.)

9 Q. (BY MR. DeWULF) Back on the record.

10 A. In case we didn't say in the beginning on the
11 record, I would like this whole thing to be protected.
12 So if the receiver wants to argue it in court, he can go
13 ahead and do that. I would like this whole testimony to
14 be protected.

15 Q. So we're clear, we marked into evidence Exhibit
16 1131, which is a protective order entered by the judge
17 in our litigation. And it provides that a witness can
18 deem deposition or testimony given as confidential.

19 And so are you asking that the entire
20 deposition be deemed confidential?

21 A. Correct.

22 Q. All right. Can I ask you a couple of things
23 about that?

24 A. Sure.

25 Q. Because the judge will probably ask us, and I

1 know there's a lot we don't know.

2 And I know you've indicated -- I can't
3 remember if this was on the record or off the record,
4 but I know you have concerns for your kids, you
5 indicated. You said your son has been harassed as a
6 result of some of the things that have appeared on the
7 receiver's website, correct?

8 A. Correct.

9 Q. And I know you have some concerns relative to
10 Active Funding Group and what they may have done in
11 connection with DenSco and this lawsuit, right?

12 A. I have concerns.

13 Q. And what you've shared with us is that you
14 understand that there may be a criminal investigation
15 going on of Active Funding Group?

16 A. I'm unsure.

17 Q. Okay. But you recall at some point being
18 interviewed by the Department of Justice?

19 A. I recall, at some point, the Department of
20 Justice speaking about that.

21 Q. In other words, a representative from the
22 Department of Justice interviewed you about what you
23 could recall?

24 A. Wanted to interview me as to what I recall, but
25 I did not speak with them.

1 Q. And just so I understand, the subject matter
2 that you understood that he was asking to talk to you
3 about, was it having to do with Active Funding Group and
4 their activities as it related to loans competing with
5 DenSco's loans?

6 A. Yes.

7 Q. Okay. And so you've never actually been
8 interviewed by a Department of Justice representative?

9 A. No.

10 Q. And I understand you also had counsel that was
11 assigned to you in connection with that possible
12 interview?

13 A. Yes.

14 Q. Okay. All right. And so part of what you are
15 concerned about and part of the reason you're declining
16 to answer some of my questions as it relates to Active
17 Funding Group and Mr. Reichman is you're not quite sure
18 what's going on with respect to what investigations may
19 be --

20 A. There are numerous reasons were why I'm
21 uncomfortable with answering a lot of your questions and
22 I'm taking the Fifth on some of them. Until I have
23 further clarification from different departments or
24 what's going on with certain things, only then can I
25 make any decision of what else I can testify to about.

1 Plus, I am in federal prison, and this is
2 not something you do.

3 Q. Right. And I don't -- I shared with you I
4 don't care whether this deposition is published anywhere
5 or not. I'm just trying to get information from you.
6 But I know that the judge, in making a determination,
7 will take this seriously.

8 As Mr. Sturr has reminded us, you have to
9 meet certain criteria in order to be deemed
10 confidential. So it's limited in terms of who can read
11 it or hear it.

12 So what I understand is there are some
13 criminal issues you are concerned about, right?

14 A. Yes.

15 Q. And there are some protections of your family
16 issues you are concerned about?

17 A. I am.

18 Q. And, in general, any other descriptive phrases
19 that can be shared with the court so that he knows what
20 it is that is of concern?

21 A. I feel like some of the other witnesses should
22 not see this testimony -- should not see this
23 transcript.

24 Q. Some of the other witnesses in this case?

25 A. Some of the other people that you will be

1 deposing or have deposed should not see this transcript.

2 Q. Can you be more specific than that?

3 A. I can't.

4 Q. So let's go back. I want to -- while it's
5 fresh in my mind, I want to cover a couple of items.
6 I'm going to bounce around a little bit, and then I want
7 to resume talking about late 2013.

8 You were kind of describing that you felt
9 kind of protective of Mr. Chittick when you were
10 explaining the problems that you were helping address in
11 the recession and then going forward trying to honor
12 your loan commitments. Do you recall that testimony?

13 A. Yes.

14 Q. And why did you feel like you needed to protect
15 Denny Chittick?

16 A. I just didn't want anything to happen to him.
17 Like I said, I thought he was weak-minded, and I didn't
18 want anything bad to happen to him.

19 Q. One of the things, when you describe yourself
20 and what he may have liked in you, early in your
21 testimony -- and I tried to write it down -- I think
22 what you said is that he may have viewed you as someone
23 who was aggressive, who saw things out of the box, who
24 could act quickly, could solve problems, that kind of
25 thing. Do you remember that testimony?

1 A. Yes.

2 Q. Is that true, that you believe that he saw that
3 in you and he admired that in you?

4 A. Yes.

5 Q. I think you said, in looking at Mr. Chittick,
6 some of the things you liked is his work ethic, his
7 willingness to work at all hours, pick up the phone,
8 those kinds of things, right?

9 A. Yes.

10 Q. Do you think, in terms of your ability to solve
11 problems, find solutions, that kind of thing, that he
12 was looking to you to help him when the problems started
13 arising seriously in 2013?

14 A. I do.

15 Q. Do you think that that's -- that he continued
16 to look to you even into 2016?

17 A. I do.

18 Q. We talked about these problems that arose in
19 2012, and I showed you some exhibits when some of these
20 double liens first came to light. Did you get
21 questioned by Mr. Reichman as to how this happened?

22 A. I'll have to take the Fifth on that.

23 Q. All right. Did you get asked by Mr. Chittick
24 what had happened or how did it happen?

25 A. Yes.

1 Q. And what did you tell him?

2 A. Originally, I told him it was an employee
3 issue, and then I started to explain to him what was
4 going on and how I was trying to pay the loans from the
5 past. This is what I did, and this is how things worked
6 itself out.

7 Q. Mr. Reichman, in his testimony, says that you
8 attributed these problems to a former employee who was a
9 Jamaican woman. Is that true?

10 A. No. It is true that I attributed that, but
11 that's not true that that happened.

12 Q. So did you tell Mr. Reichman that you
13 attributed the problems to this one employee?

14 A. I did.

15 Q. There wasn't a Jamaican former employee?

16 A. No.

17 Q. And as of 2013, you were explaining to
18 Mr. Chittick that the problem was attributable to a
19 cousin you had put in charge of your business, right?

20 A. Correct.

21 Q. And you had explained that you were attending
22 to your sick wife who was battling cancer, and so you
23 had put him in charge to oversee the business?

24 A. Correct.

25 Q. And stopping there. Your wife was not battling

1 cancer at that time?

2 A. No. But she did have a cancer scare. We did
3 go to cancer doctors, but, no, she wasn't battling
4 cancer.

5 Q. In your testimony in the 2004 exam, I remember
6 you said she wasn't sick with cancer, but she was sick
7 with something else, or something to that effect. Was
8 there something else she was battling in 2012, 2013?

9 A. Yes.

10 Q. Can you share that with us?

11 A. Mental disease. I had to hospitalize her a
12 couple of times. She was going through a lot of
13 different stuff in her head.

14 Q. You mentioned -- when you were talking about
15 Denny Chittick being sick, you mentioned that he had a
16 scare with skin cancer. And I didn't really follow up
17 on it much. How serious was it? Do you know?

18 A. From what I understood, it wasn't that serious.
19 I was at a doctor appointment with him, but I didn't
20 understand it to be that serious.

21 Q. And you understood him also to be taking some
22 medication at some point in time?

23 A. Yes.

24 Q. Do you know what that was for?

25 A. I don't.

1 Q. I think you mentioned he could have problems
2 sleeping at night, right?

3 A. Correct.

4 Q. The stress got to him?

5 A. Yes.

6 Q. So let's go to that 2000- -- fall of 2013. Let
7 me ask one background question. Did you ever talk to
8 Mr. Reichman -- never mind. I'll come back to it from a
9 different place.

10 In the fall of 2013, you have now
11 discovered that there are multiple properties that are
12 subject to competing liens from different lenders,
13 right?

14 A. Right.

15 Q. And so you and Denny Chittick come together to
16 try to figure out how you are going to solve the
17 problem, right?

18 A. Correct.

19 Q. And you already have this history where you
20 stuck with him and you've worked to create profits from
21 either wholesaling or retailing properties and taking
22 those monies and trying to satisfy older DenSco loans,
23 correct?

24 A. Correct.

25 Q. And so, as of the fall of 2013 -- I think

1 November is the date that everyone is identifying -- you
2 have decided to memorialize some sort of an
3 understanding going forward that would take care of
4 Active Funding Group and other lenders, right?

5 A. Yes.

6 You know, as of late 2013, early 2014, that
7 there is -- there are these competing lenders that --

8 MR. RUTH: Azben.

9 Q. (BY MR. DeWULF) -- that Azben and others who
10 have lent you money where they're competing with DenSco
11 on the same property as security, right?

12 A. Yes.

13 Q. And so you really have to address both these
14 issues, the one with the competing lenders that are not
15 AFG and AFG, right?

16 A. Yes.

17 Q. And the lenders who aren't AFG but have loans
18 competing with DenSco have hired a lawyer, and they're
19 threatening litigation, right?

20 A. Correct.

21 Q. And you don't want to litigate, do you?

22 A. I could care less.

23 Q. Because I had seen somewhere in the documents
24 where you were reluctant to litigate, and I think it was
25 attributable to comments by your attorney, Scott

1 Goulder.

2 MR. RUTH: Jeff.

3 Q. (BY MR. DeWULF) Or Jeff Goulder. But that
4 wasn't a concern of yours?

5 A. No. I don't remember it really being a
6 concern. More of it was a DenSco's concern than my
7 concern.

8 Q. All right. Denny Chittick was concerned about
9 possible litigation when these issues arose regarding
10 these different lenders claiming --

11 A. Yes.

12 Q. So he was trying to avoid having to hire
13 lawyers and go to court right in that time frame?

14 A. He wasn't -- he was less concerned about the
15 hiring of the lawyers. He was more concerned about the
16 outcome. He was more concerned about the investors
17 asking how this happened, you know, and opening
18 everything up. That wasn't what he wanted.

19 Q. So what were kind of -- if you could just
20 outline for us what were the terms of this understanding
21 you had reached with Denny Chittick in November of 2013
22 to address the competing loans with AFG and the
23 competing loans with these other lenders so that DenSco
24 could avoid going to litigation?

25 A. Now, that was prior to the forbearance

1 agreement, right?

2 Q. Prior to the forbearance agreement.

3 A. Okay. So the agreement that we had, from my
4 memory only, was the properties going forward that I was
5 going to purchase, he would lend 100 percent on. The
6 profits that would come from the sale of those
7 properties would go directly to -- and I think we had a
8 split.

9 I don't remember what the split was. But
10 whether it be 20/80 or whatever it was, a large portion
11 of the profits from the new properties would go towards
12 the old balance and would pay down the workout balance,
13 basically. Whatever that balance was, it would just
14 continue to go towards it.

15 Q. How did Active Funding Group get paid out of
16 this arrangement?

17 A. DenSco paid Active Funding Group in full over a
18 period of weeks, maybe a month or two. It was a short
19 period of time that Active Funding Group got paid in
20 full.

21 Q. And was the understanding that DenSco would
22 continue to loan you money so that you could buy
23 properties and generate profits?

24 A. Yes.

25 Q. But those profits would be utilized to pay the

1 historical loans off where there was a workout?

2 A. Correct.

3 Q. So some of those loans go back pre-2013?

4 A. No, no, no. You have it wrong. When I say
5 "workout," I mean the first and second situation.

6 Q. I understand.

7 A. That's what I'm talking about. Prior to that,
8 we had no default. There was no issues. There was
9 issues as far as value, like I talked about in the past,
10 but there wasn't any issues of I'm going to default or
11 anything like that.

12 Q. I understand. So what you're saying is that
13 the -- whatever historical loans you had with DenSco
14 that might have been secured with undervalued property,
15 you just continued to perform on those to pay off those
16 debts, right?

17 A. Yes.

18 Q. And you were still doing that into 2012 or so,
19 right?

20 A. And past.

21 Q. But when you are talking about the arrangement
22 reached in the end of 2013, you're talking about
23 addressing the double-lien issue on the properties that
24 were purchased?

25 A. Yes.

1 Q. And that is, when I say "double lien," I mean
2 competing liens from deeds of trust from DenSco and some
3 other lender?

4 A. Correct.

5 Q. And in terms of the non-Active Funding Group
6 lenders that were represented by counsel, was this
7 arrangement you've reached with Denny going to address
8 that as well?

9 A. It was.

10 Q. Okay. How did you guys determine whether to
11 pay off these lenders who were represented by counsel
12 versus when you were to pay off Active Funding on their
13 loans?

14 A. Denny wanted to pay off the ones represented by
15 counsel first because of the pressures and then address
16 Active Funding Group.

17 Q. All right. So the agreement that you indicated
18 that you guys were putting together, was that all kind
19 of verbally agreed to by the end of 2013?

20 A. When was the forbearance agreement?

21 Q. Forbearance agreement was negotiated starting
22 in January -- well, there was a term sheet that was
23 originally entered into in January of 2014?

24 A. So, yes, it was in the end of 2013.

25 Q. Okay. So did you feel like, at the end of

1 2013, that you and Denny Chittick had an agreement going
2 forward as to how to address -- the lenders who had
3 hired litigation counsel and Active Funding Group?

4 A. Yes.

5 Q. All right. And had he, Denny Chittick, already
6 advanced you roughly a million dollars or so towards
7 this solution that you had agreed to?

8 A. I don't remember, but it sounds about right
9 from reading something. I feel like I read this
10 somewhere.

11 Q. So, I guess, saying more broadly, by the
12 time -- by the end of 2013, DenSco had already started
13 performing under this agreement that you had reached
14 with Denny Chittick to address all these competing liens
15 from competing lenders?

16 MR. STURR: Object to the form.

17 A. Prior to the term sheet, we already went into
18 this agreement, yes.

19 Q. (BY MR. DeWULF) So you met with David
20 Beauchamp on January 9, 2014. Do you recall that?

21 A. I recall the meeting with him, yes.

22 Q. And it was you and Denny Chittick and David
23 Beauchamp, right?

24 A. The first meeting, that's correct.

25 Q. Using that as kind of a point in time, do you

1 believe that by that time, you and Denny Chittick had
2 already reached an agreement as to how you were going to
3 address all of these problems with these competing
4 loans, and that you were now in a position to put it in
5 a written document?

6 A. Yes.

7 Q. And do you remember, by the time that you met
8 with David Beauchamp, that DenSco had already started
9 and Mr. Chittick had already started performing under
10 the understanding you had with him?

11 A. That's correct.

12 Q. So I think that there were two meetings that
13 you had with David Beauchamp, the lawyer. There is the
14 one that I just described, which was January 9, 2014.
15 And you may not know that specific date, but you do
16 recall that there was a meeting in early January of 2014
17 where you and Denny Chittick kind of explained the
18 situation for David Beauchamp.

19 A. I remember it, yes.

20 Q. Okay. And then I think there was one other
21 meeting that you had with David Beauchamp, and that was
22 in -- that was when you had your counsel, Jeff Goulder
23 with you, David Beauchamp was there, Denny Chittick was
24 there, and you were there. Do you recall that?

25 A. I do.

1 Q. I've been able to pinpoint that as February
2 20th, 2014. And I can show you documents if it helps.
3 But does that seem consistent with your memory, that you
4 would have had a meeting again with David Beauchamp,
5 with your counsel --

6 A. Second meeting, yes.

7 Q. All right. That meeting -- the February 20th,
8 2014, meeting was primarily aimed at trying to finalize
9 this forbearance agreement and some of the terms that
10 you were negotiating, right?

11 A. Correct.

12 Q. And I think those are the only meetings you
13 ever had with David Beauchamp.

14 A. In person, yes. We've had some conference
15 calls. But in person, yes.

16 Q. All right. Do you remember how many conference
17 calls you had?

18 A. Two or three.

19 Q. Were those primarily focusing on the
20 forbearance agreement?

21 A. It was negotiations around the forbearance
22 agreement, different concerns parties had, whatever.

23 Q. Would Mr. Goulder have participated in those
24 conference calls?

25 A. He did not. It was after Mr. Goulder was

1 released from his duties at the forbearance situation.

2 Q. Why did Mr. Goulder get released? What led to
3 that?

4 A. I originally hired him to protect my interests,
5 to look at everything and make sure that what I was
6 signing was okay, and -- obviously, I'm not an attorney.
7 So he did look at it.

8 He was uneasy after the meeting with Clark
9 Hill, with David Beauchamp. He said, "If you want to
10 continue to pay me, I'll continue to come to these
11 meetings. I'd never seen something like this in my
12 life." He said, "I don't know what is going on here. I
13 don't know how they're so easy" --

14 Q. Let me stop you there. He's your lawyer?

15 A. He's my lawyer.

16 Q. I don't want you to reveal confidential
17 communications.

18 A. Okay.

19 Q. So I don't know how to advise you on that.
20 We're not your lawyers.

21 A. No.

22 Q. But I don't think we should be hearing what
23 Mr. Goulder is telling you if it would be confidential.

24 A. Okay.

25 Q. With that kind of instruction, let me ask that

1 question again. The circumstances surrounding
2 Mr. Goulder no longer representing you in connection
3 with the negotiation of the forbearance agreement --

4 A. Mr. Goulder didn't feel like he was needed.

5 Q. And you didn't think so either?

6 A. At that point, no.

7 Q. So there are a lot of documents on this stuff
8 and I'm trying to not belabor this or bore you with a
9 bunch of documents, but, obviously, there was a lot of
10 negotiation in this forbearance agreement. A lot of
11 emails back and forth.

12 A. I recall.

13 Q. And I want to ask about the dynamics of that,
14 because what it appears is that, while Mr. Goulder was
15 still involved, Mr. Goulder and Mr. Beauchamp would talk
16 to their respective clients -- Beauchamp talking to
17 Mr. Chittick, Goulder talking to you -- but then the two
18 of you, you and Mr. Menaged [sic], would also be talking
19 about some of the same subjects while the negotiation
20 was going on. Is that a fair depiction?

21 A. Me and Denny would talk throughout the whole
22 thing, yes.

23 Q. It appeared that the two of you really did most
24 of the negotiating and agreeing on this forbearance
25 agreement, what it was going to look like; is that fair?

1 MR. STURR: Form.

2 A. We did.

3 Q. (BY MR. DeWULF) In other words, Denny wouldn't
4 have forced you to do something you didn't want to do?

5 A. He wanted me to sign the forbearance agreement,
6 to protect himself from the investors.

7 Q. Right. And I'm really getting more at, at the
8 end of the day, you and he had to be comfortable with
9 what this forbearance agreement said, right?

10 A. I would not have signed something I was
11 uncomfortable with, yes.

12 Q. He wouldn't be comfortable forcing you to do
13 something you didn't want to do?

14 MR. STURR: Form.

15 A. I don't know.

16 Q. (BY MR. DeWULF) Let me ask you this: You had
17 this long-term friendship. You've already reached an
18 agreement on how to solve the problems.

19 A. But he needed this. He needed this because he
20 was concerned over the investors. He needed this to
21 say, "Hey, in case any of this ever comes out, I have to
22 show that I'm not incompetent." And that was his words.
23 "I need this agreement to show I addressed the
24 situation, and the situation is under control." That's
25 why we went into this forbearance agreement.

1 Q. So did you think you needed a forbearance
2 agreement?

3 A. Me personally?

4 Q. Yeah.

5 A. I didn't care either way.

6 Q. So you were good with just an oral
7 understanding with Denny Chittick to solve the problem?

8 A. Yes. I had it -- we had it figured out. I
9 believed at the time, and so did he, that this would get
10 itself resolved.

11 Q. Let me ask you -- and I don't know if you
12 thought about this at the time, Mr. Menaged, that at the
13 time that you negotiated this thing in the fall of
14 2013 -- let's say it's the end of -- November or
15 December of 2013 -- how long did you think it was going
16 to take you to solve the problems, that is, pay off the
17 loans or resolve the competing loan situation?

18 A. I want to say we discussed this. I think it
19 was 12 to 18 months or something. But if you thoroughly
20 go through my emails with Denny, we discussed this at
21 length. I just don't remember that exact time frame,
22 but it's in there somewhere.

23 Q. I think that time frame changed, right, over
24 time?

25 A. It did. It went from six months to nine months

1 to 12 months as things changed, and things would
2 constantly change. So as things changed -- I remember,
3 at one point, it went to 15 months, and then it went
4 back down to 11 months. And things constantly changed,
5 but that was the time frame. I mean, under a year and a
6 half was pretty much the time frame.

7 Q. Do you remember, under the forbearance
8 agreement, you were making commitments to bring some
9 money into the solution?

10 A. I did.

11 Q. And the language, I think, as it describes, is
12 "best efforts" or "good faith efforts" or something
13 like -- we can look at the agreement.

14 A. Yeah.

15 Q. But did you, in good faith, believe you were
16 going to be able to bring those monies in to help solve
17 the problem?

18 A. In good faith, I believe I was going to do
19 everything I could to do that, which is why we changed
20 the wording on that. I wasn't going to sign something
21 that said I was a hundred percent going to do it because
22 I didn't know if I could.

23 Q. Were you able to bring in money?

24 A. I was not.

25 Q. Why not?

1 A. I tried to get different financing on different
2 properties that I had lower LTVs on. Well, some of them
3 I did get refinanced on. 20,000 here, 50,000 there,
4 100,000 there. A million dollars complete, no.

5 Q. So, again, without going through all the
6 documents because there are a ton of them --

7 A. Yeah.

8 Q. -- at one time, you were talking about money
9 sources in Israel. Did you have money sources in
10 Israel?

11 A. No.

12 Q. When you told Denny Chittick that, that was not
13 true?

14 A. Correct.

15 Q. Then there was talk about a friend in New York
16 who would be willing to lend you money. Was that true?

17 A. No.

18 Q. And you talked about your father -- I think
19 Mr. Reichman actually talks about this, your father
20 having -- being wealthy or having funds that would be
21 available to you. Was that ever true?

22 A. Him being wealthy, yes. Funds available to me,
23 no, other than if they were going to be in the form of a
24 loan.

25 Q. I understand. Mr. Reichman, in his testimony,

1 said that you told him that you had \$30 million in
2 inventory that was free and clear in your furniture
3 stores. Is that true?

4 A. No.

5 Q. Did you have inventory that was free and clear
6 in your furniture stores?

7 A. I did.

8 Q. Any estimate of what the value of that would
9 have been? Again, I'm talking in the time frame of
10 early 2014?

11 A. A million. I'm guessing right now. I'm
12 really -- right now, I'm just completely guessing.

13 Q. I understand. So thanks for telling me that.

14 At one time, you were going to start an
15 auto business, and it was -- I'm trying to remember the
16 name. Was it Easy Auto?

17 A. Auto King.

18 Q. Auto King. That's right. Did that ever get
19 started?

20 A. It did.

21 Q. Did it do business?

22 A. It did.

23 Q. Did it make a profit?

24 A. It did.

25 Q. Did any of those funds get used to pay off

1 DenSco loans?

2 A. It did.

3 Q. Any idea of how much?

4 A. Collectively, maybe a couple hundred thousand.
5 The purpose of Auto King was an additional income to,
6 again, try to resolve the problem with DenSco.

7 Q. I think Mr. Sturr referenced this off the
8 record. But did you know that Active Funding Group
9 entered into a tolling agreement with the receiver?

10 A. I did not.

11 Q. Do you know what that means?

12 A. That they can sue them at a later date without
13 worrying about the statute of limitations.

14 Q. Yeah. That's right.

15 So in -- on April 10th of this year,
16 Mr. Reichman and Active Funding Group entered into a
17 tolling agreement with the receiver, whereby the parties
18 agreed to kind of put things on hold for a period of
19 time, and the receiver wouldn't sue Active Funding and
20 Mr. Reichman, nor vice versa, I guess, and they would
21 both preserve whatever rights they would have in terms
22 of the statute of limitation and those kinds of things.
23 I just wanted you to know that.

24 Is that a surprise to you?

25 A. No.

1 Q. No?

2 A. It's not. And that was agreed to in April of
3 this year, you said?

4 Q. April of this year.

5 Mr. Reichman testified, you probably
6 recall, that he had a very favorable opinion of you up
7 to the point in time that he read your 2004 testimony.
8 Do you recall that?

9 A. Yes.

10 Q. Any reaction to that?

11 A. No, not on the record. I can't talk about
12 that.

13 Q. All right. Do you recall him saying in his
14 testimony that he thought you were -- you could be
15 sloppy and reckless?

16 A. I don't recall it, but that's how he talked
17 always. So it doesn't surprise me.

18 Q. He talked abusively or --

19 A. He would always say things like that. "You're
20 sloppy. You need more accountants. You need more
21 secretaries. You need more this. You need" --

22 Gregg was the type of person that liked to
23 sit on the 30th floor looking down at the world. That's
24 who Gregg is. He was always the type that, you know,
25 needed five secretaries, not one, to show off. And

1 that's just who he is.

2 So when I'm working in a basement with a
3 little lady over there trying to help me do some
4 accounting numbers, he always made fun of me for it,
5 from the beginning.

6 Q. In the aftermath of what occurred in the fall
7 of 2012 that we looked at in some of these documents, he
8 required of you certain measures to protect his
9 position. Do you recall that?

10 A. I do.

11 Q. He was wanting to create a lockbox to collect
12 rental monies from you. Do you remember that?

13 A. I do.

14 Q. Do you remember anything else that he required
15 of you to make sure that he was getting paid on his
16 loans?

17 A. I have to take the Fifth on that.

18 Q. Take the Fifth?

19 A. Yeah. I can't discuss that.

20 Q. Did Active Funding Group continue to lend you
21 money after the fall of 2013?

22 A. Yes.

23 Q. Did they know that DenSco was also loaning you
24 money?

25 A. Yes.

1 Q. Did they insist that you place them in a
2 superior or a first position relative to DenSco loans?

3 A. I have to take the Fifth on that.

4 Q. Do you remember when they stopped lending you
5 money?

6 A. When I stopped buying properties.

7 Q. And was that --

8 A. Our relationship never ceased because they
9 terminated me or anything like that, if that's what
10 you're asking.

11 Q. That is a better question actually than mine.
12 So when did you stop buying properties?

13 A. I think it was '16. At some point in '16.

14 At '15, it started tapering down. There
15 was properties still in '16 I was buying and still
16 borrowed money from him.

17 Q. I'm going to show you this because I think it
18 will maybe -- I don't need to refresh your memory, but
19 it will provide a little bit of detail. I'm showing you
20 Exhibit 942.

21 A. I remember this letter.

22 Q. So remember we were talking about -- this is an
23 instance where I was talking to you generally about what
24 you remember. But you remember I talked about a group
25 of lenders who hired a lawyer and threatened litigation.

1 Do you remember that?

2 A. I do.

3 Q. This Exhibit 942 would be that lawyer and law
4 firm who were representing multiple lenders. Do you see
5 that?

6 A. Yeah.

7 Q. These lenders had lent money to you, and those
8 loans were competing with DenSco on some of the same
9 properties, right?

10 A. Right.

11 Q. And so, in those instances, as we've discussed
12 earlier, there might be insufficient value of the
13 properties to cover the competing loans in the
14 aggregate, right?

15 A. Correct.

16 Q. And Exhibit 942, which is the lawyer's letter,
17 you and Denny Chittick addressed this issue in late 2013
18 so you could satisfy these lenders to avoid litigation?

19 MR. STURR: Object to the form,
20 foundation.

21 A. Correct.

22 MR. DeWULF: What was the problem?

23 MR. STURR: This is January 6, 2014, and
24 you said it was addressed in November of 2013. And your
25 predicate is assuming that they discussed it in November

1 of 2013.

2 MR. DeWULF: Thanks. That's valid. That's
3 helpful.

4 Q. (BY MR. DeWULF) Let me clarify and address
5 what counsel's concern is.

6 A. Yeah.

7 Q. The problem with these competing lenders that
8 are in 942 arose in 2013, right?

9 A. The issues arose in 2013, correct.

10 Q. So you knew that lawyers had been hired, and
11 you were going to get, perhaps, a letter like 942 or
12 some threat from a lawyer, right? In 2013.

13 A. I guess it was possible.

14 Q. I mean, you knew that there were lenders who
15 were unhappy because there were double liens on their
16 loans or competing liens on their loans, and that they
17 had hired counsel in 2013, right?

18 A. Yes.

19 Q. All right. And so -- and you knew they weren't
20 going away, right?

21 A. Correct.

22 Q. So when you got Exhibit 942, it wasn't news to
23 you, but it had more detail in it. Basically, you knew
24 all these lenders were unhappy already with you and
25 Mr. Chittick, right?

1 MR. STURR: Object to the form.

2 A. Correct.

3 Q. (BY MR. DeWULF) So looking at Exhibit 942.

4 Did you communicate with any of those lenders as to how
5 the problem had arisen?

6 MR. STURR: Object to the form.

7 Any time period?

8 MR. DeWULF: Any time. I just want to
9 know.

10 A. I don't recall. It was so long ago.

11 Q. (BY MR. DeWULF) So --

12 A. I must have had some conversation with someone
13 along the way. I just don't remember what that was.

14 Q. You don't remember if you told them the cousin
15 story --

16 A. I don't remember.

17 Q. -- or the Jamaican story?

18 I'll show you what has been previously
19 marked as Exhibit 486.

20 A. I'm sorry. The term sheet or the forbearance
21 agreement was when, again?

22 Q. I'm going to show it to you.

23 A. I'm just trying to put this --

24 Q. It was early 2014. But I'll find it for you.

25 A. So it was after the Bryan Cave letter.

1 Q. Yes.

2 A. Okay.

3 Q. I've got that also for you.

4 A. Okay.

5 Q. So let me ask you. Looking at 486, this law
6 firm, Schian Walker, the lawyer there is Cody Jess. And
7 he is the lawyer you referenced earlier as being your
8 bankruptcy counsel, right?

9 A. Yes.

10 Q. And this letter is dated March 30th, 2017, and
11 it's written to Ryan Anderson, who is counsel for the
12 receiver, correct?

13 A. Yes.

14 Q. Did you authorize Mr. Jess to send this letter?

15 A. I did.

16 Q. Do you remember the letter being sent?

17 A. I remember telling him to send the letter.

18 Q. The letter, if you see the Roman numeral I,
19 Active Funding Group, LLC, it discusses how Active
20 Funding addressed this issue of being in competition
21 with DenSco with double liens on the same property.

22 Do you remember reviewing Exhibit 486
23 before it went out?

24 A. I don't think I reviewed the letter before it
25 went out. I knew that the letter was going to go out.

1 Q. Do you remember what the purpose of the letter
2 was?

3 A. To settle with the receiver.

4 Q. So you were -- if you look at Roman numeral II
5 that appears on the third page, Mr. Menaged, it is a --
6 it's a statement of Denny Chittick being aware of your
7 business practices. By that, it means he was aware of,
8 I think, primarily in this case, the second fraud issues
9 of purchases not actually occurring for property for
10 loans with DenSco.

11 Let me step back. That's not really the
12 question. I want to provide some background.

13 Do you think Denny Chittick ever was able
14 to determine that, regarding the second fraud where the
15 banks worked with you on cashier's checks and
16 redepositing -- do you think he ever determined that
17 you, in fact, were not buying properties with the monies
18 that DenSco was wiring to you?

19 A. Yes.

20 Q. When do you think he figured that out?

21 A. I'd have to see when he changed his loan
22 documents. I refused to continue to sign the same loan
23 documents saying that I was purchasing these properties.
24 I told him upfront. He changed all the loan documents.

25 Q. How did he change the loan documents?

1 A. He changed all the wording to say that they're
2 offers to purchase. Basically, I have no liability to
3 purchase these properties.

4 Q. Okay. How do you think he learned that you
5 weren't actually buying properties with the monies that
6 DenSco was wiring to you?

7 A. Because I told him.

8 Q. Okay. But you don't remember when that
9 occurred?

10 A. No.

11 Q. Do you think it would have been after the
12 forbearance agreement was signed?

13 A. It had to be after the forbearance agreement
14 was signed because whatever you consider as fraud 2 was
15 not happening until after -- until after we discussed
16 everything with your client.

17 Q. In January of 2014?

18 A. Whenever that meeting was. That first meeting.

19 Q. So you think after -- let's take that date as
20 January 9 -- I don't think that's in dispute, January 9
21 of 2014 -- that it was after that meeting that you think
22 you started the -- what's been called the second fraud
23 involving the banks?

24 A. Yes.

25 Q. Fairly soon after that?

1 A. I really can't exactly remember.

2 Q. I've seen records that indicate that you may
3 have started as early as January of 2014. Would that be
4 consistent with your memory?

5 A. I know it wasn't before I met with David
6 Beauchamp. I know that. That's all I can tell you.
7 That's what I remember.

8 Q. Let me ask you another question on 486 -- this
9 Exhibit 486, was it your understanding that the purpose
10 of this letter was to be educating the receiver that you
11 thought Active Funding had done something wrong?

12 A. No. I was not trying to inform the receiver of
13 anything. I was trying to get a settlement. What Cody
14 Jess decided to send in that letter, a whole story, I
15 have no idea what he's doing. I wanted to settle with
16 him for \$4,000 a month.

17 That's when he said, "I'm going to put a
18 package together and I'm going to show this and I'm
19 going to show that." He did whatever he did.

20 Q. Let me stop you. Again, we're getting into
21 attorney-client communications. I don't know what's
22 confidential and what isn't. I don't want to be the
23 beneficiary of something you shouldn't be telling me.

24 A. Okay.

25 Q. Just backing up for a minute. Obviously, he's

1 doing his job for you.

2 A. Yes.

3 Q. But the information he's putting in 486, this
4 exhibit, is from you, right?

5 A. Yes. He asked me for certain information, and
6 I sent it to him.

7 Q. Okay. And he's taking whatever information he
8 can gain from you to try to negotiate something with the
9 receiver, right?

10 A. That's what it looks like.

11 Q. And do you think that the discussion about
12 Active Funding was intended to reach an agreement where
13 you could cooperate with the receiver to help them in
14 their case?

15 A. I agreed to cooperate with the receiver from
16 day one, no matter what. I want the investors to get
17 paid in full. I have no problem with that.

18 So, yes, I mean, I would have cooperated,
19 no matter what. I would have told everyone what they
20 wanted to know at the time.

21 And I did talk to the receiver about that
22 as well. He knows that. Otherwise, I wouldn't meet
23 with his counsel. This counsel, that counsel, whoever
24 contacts me, whoever he sends over here for me to talk
25 to, I mean, I wouldn't meet with these people.

1 Q. So we started talking a little bit about this
2 second fraud. Let me talk to you about that. We --
3 earlier this morning when we were talking about it, we
4 were talking about your relationship with U.S. Bank and
5 Ms. Chavez.

6 A. I don't even know really that that's her name.
7 I'm telling you that's how distant I was from this
8 relationship. I never walked into the branch. I don't
9 know her name. That's more of a question for Veronica
10 Castro. She had a relationship with them. I have no
11 idea who these people are.

12 Q. Okay. Understood. But Veronica Castro would
13 not have done any of the things she did with U.S. Bank
14 without your knowledge, right?

15 A. Correct.

16 Q. And she was doing things at your direction,
17 right?

18 A. Yes.

19 Q. So let's just finish this second fraud idea
20 because -- I keep bouncing around. I'm sorry.

21 You transitioned your banking then to Chase
22 Bank, correct?

23 A. Correct.

24 Q. And I think that that was roughly in 2014 --
25 spring of 2014. Does that square with your memory?

1 A. I don't remember.

2 Q. So the woman that was the primary contact there
3 was Samantha Kumbalek, also known as Samantha Nelson.
4 Does that ring a bell with you?

5 A. Yes.

6 Q. How do you know -- how do you want me to refer
7 to her? Samantha?

8 A. Samantha.

9 Q. Okay. How do you know Samantha?

10 A. She was a teller/assistant manager at some
11 point at the branch.

12 Q. And she ultimately would have been the person
13 primarily involved at Chase Bank in working with you in
14 creating cashier's checks and redepositing those back
15 into your account, correct?

16 A. Yes.

17 Q. And how did you develop that relationship with
18 her, where she was willing to do that?

19 A. It was not a -- it was not something that was
20 out of their policy. It wasn't something special for
21 me. If you walk into your branch tomorrow and tell them
22 "Give me a check for \$5 million," and you have that
23 money in your account, they'll give you a check for \$5
24 million.

25 If 30 seconds later, you say, "You know

1 what, forget about it. Put it back in my account," it's
2 back in your account.

3 Q. But these were monies that were wired by a
4 lender, and Ms. Kumbalek knew that you were a borrower
5 for the purpose of buying properties at trustee sales,
6 correct?

7 A. If she looked at the wire coming in and read
8 the memo, she'd know.

9 Q. But you talked to her about this also, right?

10 A. Yes.

11 Q. So she knew the monies being wired from DenSco
12 were being wired in for a particular purpose, that is,
13 buying an identified property at a trustee sale, right?

14 A. Correct.

15 Q. And so those monies don't get utilized for that
16 purpose, but rather they get deposited into your account
17 to be used for other purposes, right?

18 A. They deposit to my account because the lender
19 puts it in my account. At that point, I'm supposed to
20 take those funds and send it off to trustees.

21 But that's, I believe, above Samantha's pay
22 grade to know what's supposed to happen. She's a bank
23 teller. Let's go back to reality. She's a bank teller
24 who sees money coming in. And I, as the customer, tell
25 her, "Give me this and do this and transfer this and go

1 do this and do that," and she does as the customer asks.

2 Q. Did she ever tell you that the bank had
3 policies and procedures that prevented her from doing
4 that?

5 A. From issuing cashier's checks?

6 Q. Well, from taking money in an account,
7 facilitating the creation of a cashier's check for a
8 particular purpose, allowing the cashier's check to be
9 canceled and redeposited into the account and not used
10 for the purpose it was designated.

11 A. No. In fact, it had a specific stamp for it.
12 And the stamp says "Not used for intended purposes."
13 They put it right on there -- on the check, and they put
14 it right back in your account.

15 Q. That was the practice or procedure the bank
16 followed, right?

17 A. Correct.

18 Q. In every one of those instances where you
19 received a wire from DenSco and -- when the money came
20 in, the wire came in from DenSco, you had already
21 identified a specific property to be purchased, right?

22 A. You mean to DenSco?

23 Q. Yes.

24 A. Yes.

25 Q. And so the wire and the cashier's check would

1 describe the property that the money was intended to be
2 used to purchase?

3 A. Correct. This is getting confusing. There is
4 different time periods of all this. So I don't know if
5 you are talking about before or after the loan documents
6 changed.

7 The money just continued to come in. But
8 these things were meant for offers to purchase, which
9 means I didn't have to use the money for that. The
10 money came in. The money went back out.

11 I mean, there wasn't -- there wasn't any
12 requirement of me buying any properties. None. Any of
13 my loan documents that I signed, any promissory notes
14 that I signed specifically said I'm not required to
15 purchase this property. So I think you guys really have
16 to review these documents to understand what it is that
17 I actually agreed to and what was signed.

18 I'm the only one that had this agreement
19 with DenSco. If you look at his loan documents -- which
20 are published on maricopa.gov, by the way -- you could
21 look up DenSco and look up all his different borrowers.
22 Look up these loan docs and look at my loan docs.
23 They're different. There obviously was a special,
24 different arrangement with me versus Billy Bob.

25 You see what I'm saying?

1 Q. So what you've described as being your new
2 arrangement with DenSco was, when you were making a
3 commitment or what's called an offer to purchase -- is
4 the way you've described it, right?

5 A. Yes. That's what it says on the documents.

6 Q. That's some time -- when do you start utilizing
7 that mechanism or that model? Is that late 2014?

8 A. I don't remember, to be honest.

9 Q. But it was after the forbearance agreement was
10 signed?

11 A. It was after the forbearance agreement was
12 signed, yes.

13 Q. Was it months after the forbearance agreement
14 was signed?

15 A. Yes.

16 Q. Do you think -- if the forbearance agreement
17 were signed in April of 2014, when do you think you
18 would have -- using that as a time frame, when do you
19 think you would have started using this
20 offer-to-purchase model?

21 A. I don't know.

22 Q. Do you think it would have been still in 2014,
23 or would it have been in 2015?

24 A. Why do we have to guess? Why can't we look at
25 the documents?

1 Q. I don't have them here with me.

2 A. You could look them up. You can look them up
3 and you'll know the exact date. I don't want to give
4 you a date that's not valid, but I'm pointing you
5 exactly where you can look at them.

6 It's somewhere in 2014. It could be
7 between February and -- it could be between -- I don't
8 think it was February. If I have to guess, I'm going to
9 say it was towards the middle of 2014. That's all I can
10 do out of memory.

11 Q. In this understanding you had with Denny
12 Chittick and DenSco, the offer to purchase, you would
13 take a loan from DenSco for the purpose of possibly
14 buying a property, but the loan would be totally
15 unsecured?

16 A. Correct.

17 Q. And then, if you didn't buy the property that
18 you had identified that the monies were to be used
19 for --

20 A. It would go back to them.

21 Q. You would return the monies to DenSco?

22 A. Yes.

23 Q. And did you do that?

24 A. I did.

25 Q. There should be multiple times in the records

1 that would show you getting money for an offer to
2 purchase where you chose not to buy the property and you
3 would return the monies to DenSco?

4 A. Correct. They are all like that. Every single
5 one is like that. Within two or three or four weeks,
6 the money goes back to DenSco.

7 Q. Well, when you get this arrangement where
8 you're to make an offer for purchase, let's say, on 123
9 Main Street and you choose to buy 123 Main Street, then
10 do you get --

11 A. I don't know on that day if I'm buying 123 Main
12 Street. I have 30 days to figure it out. That's my
13 agreement with DenSco. So within that 30 days, either
14 DenSco gets his money back or he gets a deed of trust --
15 he gets a deed in which he can then go and record his
16 deed of trust.

17 Q. So what you are saying is, on all those
18 instances where you had an offer to purchase and you
19 actually purchased a designated property, you gave
20 DenSco a deed of trust on that loan?

21 A. I gave him a deed, and he recorded his deed of
22 trust, yes.

23 Q. I gave a deed. Do you mean a warranty deed
24 or --

25 A. Warranty deed, trustee's deed, quitclaim deed,

1 whatever deed -- depending on where I got the property
2 from. He would need that in order to -- let me educate
3 a little.

4 Q. Yeah. Why don't you?

5 A. So the deed of trust is something that DenSco
6 will always provide. Any lender will always provide as
7 a loan. You can record that on any chain of title. It
8 doesn't matter. You don't need a deed to do that, okay?

9 In order for it to be proper, you should
10 have the deed going with the deed of trust. Because
11 that's like me recording a mortgage on your home, and
12 you say, "I don't know who you are or who the lender
13 is."

14 So when, in fact, I went and purchased the
15 property -- we'll use 123 Main Street -- "Hey, Denny, I
16 did purchase this property for 152,000. Lend me 150- on
17 it, we're good. Don't worry. Record the loan." He
18 records the loan.

19 What was happening was, prior to this
20 change of wording -- well, I'll let you ask the
21 questions. Go ahead.

22 Q. No. I think it's helpful. Frankly, you're
23 educating us a little bit because I've seen you
24 reference this offer to purchase, but I didn't
25 understand the mechanics of how it was supposed to work.

1 A. Prior to -- prior to the wording change -- the
2 only reason that the wording changed was because when he
3 would -- when I would -- let's say he sent me \$150,000
4 for an offer to purchase on a property. The wording on
5 the documents that I signed was the same as the other
6 lenders, which said, basically, I purchased the property
7 and I'm taking a loan for \$150,000 on this property. He
8 would record that, okay? For the world to see.

9 Now, I wind up not purchasing the property.
10 Billy Bob wants to go buy this property. He's
11 contacting title. Title is contacting Denny, and
12 asking, "Hey, how come you have a loan on this property
13 when in reality there is no deed? Your borrower never
14 bought this property." This kept happening over and
15 over and over.

16 Just like, in the testimony of John Ray,
17 when he says he advised Denny multiple times, "Hey, how
18 come this is on here? What is going on?" And Denny's
19 response was always, "It's okay. I got it handled."

20 It became such a headache -- not a problem
21 but a headache, in which -- "God, another one. I got to
22 do a release." And the second -- whether the loan was
23 paid off or not, the second anyone called him, he
24 released it. So it was unsecured to begin with.

25 But he would -- what would happen was, in

1 order to resolve this issue, we changed the wording. So
2 if anyone called him, he said, "Yes. It's an offer to
3 purchase. We are only making an offer to purchase on
4 this property. That's it. We are putting on the chain
5 of title that we made an offer to purchase on this
6 thing."

7 The reason he was okay with it is because
8 he believed -- Chittick believed that I was working with
9 auction.com. He believed that my relationship with
10 auction.com was a fraudulent one, that I was defrauding
11 auction.com, that I had an arrangement with them. And
12 he was okay with me collecting 20- or 30,000 dollars per
13 deal on whatever arrangement he believed that we had,
14 based on my talking with him, and he was okay with that.

15 He didn't care what the wording said. He
16 knew he was unsecured. From day one, of course, you're
17 unsecured. You don't own the property. I'm putting a
18 mortgage on your house. Of course, you can't be secured
19 like that.

20 So that's what was -- that's why I
21 requested that we change the wording, and we worked
22 together on changing the wording because -- I said,
23 "Hey, if -- we can continue going this direction, but
24 I'm not going to sign these documents anymore."

25 Because what's happening is, even the

1 trustees are coming to me -- not auction.com
2 specifically, but I do remember Tiffany & Bosco calling
3 me, who I had a very good relationship with them, "How
4 come there's this deed of trust?"

5 And now you've got to start explaining,
6 "Well, no, you see, it's an offer to purchase."

7 "Well, the loan documents don't say that.
8 The loan documents say you purchased the property from
9 us three weeks ago."

10 Q. Well, I remember that there was a mortgage
11 document that DenSco used that they would record against
12 the property before the trustee sale -- before the
13 trustee's deed was conveyed as a way to tell everyone,
14 "Listen, we have an interest in this property." Do you
15 recall that?

16 A. What DenSco did with not only me, but how he
17 started his business -- how he did this is you have the
18 mortgage, you have the deed of trust, you have the
19 promissory note. Those three things. Promissory note
20 in Arizona never gets recorded. So now you have a deed
21 of trust and you have a mortgage.

22 The second he deployed money -- the moment
23 that that money went out, he recorded his mortgage to
24 basically say, "Hey, world, I'm going to be coming in
25 with a deed of trust soon. I haven't come in with it

1 because I don't have a deed yet." It takes 10 to 14
2 days for the deed to actually come from the trustee.

3 This was kind of a protective mechanism for
4 him, to say, "Look at me. I'm over here and I deployed
5 money. So if you are thinking about deploying any
6 money, I wouldn't do that because I already did it."

7 Q. I understand.

8 A. That's the reason for him to do that.

9 Q. Did the document you described a moment ago
10 replace the mortgage? Was it called like an offer to
11 purchase or something like that?

12 A. If you look at the document, the wording
13 says -- instead of "I have obtained a mortgage for -- to
14 obtain money to purchase 123 Main Street," it now says
15 "I obtained money to make an offer to purchase on 123
16 Main Street. Accompanying this" -- and I'm using -- I'm
17 not telling you the exact word for wording, but --
18 "Accompanying this document is a deed of trust," and
19 only which DenSco has the right and allowance to file if
20 I provide him a deed.

21 I made it clear. I thought I was
22 protecting myself. I made it super clear. Hey, this
23 way nobody can ever say, "Hey, this is fraud. This is
24 this." I'm not representing I'm buying the property. I
25 made sure everything was a hundred percent clear on

1 this.

2 Q. So when is it appropriate for you to get money
3 from DenSco that is designated for property to be
4 purchased --

5 A. Yeah.

6 Q. -- and you take those monies and redeposit that
7 into your own bank account and use that for other
8 reasons?

9 A. It was already in my bank account.

10 Q. It was wired in, but it was w in for a
11 specific purpose.

12 So you are just saying you owed that money;
13 it didn't matter what you did with it?

14 Q. Right. I owed the money. It's all unsecured.
15 No matter which way you want to look at it, it's
16 unsecured. From the moment that the loan was issued,
17 it's unsecured; otherwise, you would never give
18 documents that say you, as a lender -- let's say you are
19 the lender -- you, as the lender, don't have a right to
20 record a deed of trust.

21 What lender would give you a document that
22 says, "I don't have a right to secure my interest"?
23 Which is what the document says. "I don't have a right
24 to do this. I'm going to give you a million dollars,
25 but I don't have a right to do anything unless you tell

1 me that I can do it" -- "unless you, the borrower, tells
2 me that I can do it."

3 Q. At one point in your 2004 exam, you said, "The
4 mistake Denny Chittick made is that he gave me money
5 directly, as a borrower, instead of providing the money
6 directly to the trustee." Do you recall that testimony?

7 A. Yes.

8 Q. Do you think that's a true statement?

9 A. I think that was a true statement when it came
10 to the double-encumbering, yes.

11 Q. So did the bank representatives -- whether it
12 was Ms. Kumbalek or anyone else, did anyone ever say,
13 "What are you doing here? What's going on with all this
14 money that's ending up in your account?"

15 A. They have.

16 Q. What did you tell them?

17 A. "I buy a lot of properties. In and out, up,
18 down, all over the place."

19 Q. So you've indicated in your testimony earlier,
20 that Ms. Kumbalek, her pay grade was such that you
21 didn't expect her to really ask a whole lot, right?

22 A. I wouldn't expect anyone to look into it too
23 much.

24 Q. Her superior was Mr. Dadlani, right?

25 A. I believe so.

1 Q. Vikram Dadlani ring a bell?

2 A. Yes.

3 Q. And he was the manager of the Chase Bank
4 branch?

5 A. Yes.

6 Q. And I think that Chase Bank branch is on 8999
7 East Shea Boulevard.

8 A. Correct.

9 Q. So did Mr. Dadlani know what was going on?

10 A. There was a branch manager before him. When he
11 came in, he -- how I would do it to save time was,
12 before I left office, I would send Samantha an email,
13 and say, "Hey, I need \$1.65 million. Here is the list
14 of the names on the checks that I need and the dollar
15 amounts. I'll be there in 45 minutes." I would email
16 that to her.

17 She would prepare all the checks. They
18 were ready when I came through. I didn't even go into
19 the bank. I went through the drive-thru. They would
20 stick it through the thing. I would take pictures of
21 the checks to prove that I had the checks in my hands.
22 I would give it back to the teller, back to Samantha,
23 and she would redeposit it.

24 When Vikram came in, he said, "No. We
25 can't do this. This doesn't work and I'll tell you why.

1 Because you can't -- the teller can't withdraw millions
2 of dollars from your account without you even signing
3 anything. All you are doing is telling her to do this
4 and do this. There is no signature. There's no
5 fingerprint. There's nothing. Millions of dollars, and
6 you are doing this over a computer. You can't do this."

7 So what he said is, "I'll continue to do it
8 the way you want to do it, but you have to come in or do
9 it at the teller window. I don't care. I'll still let
10 you drive through so you don't have to get out, but sign
11 the withdrawal slip first. Then, give her a paper,
12 showing her exactly how you want to make the check.
13 She'll make it. But it can't be done beforehand. It
14 has to be done while you're here."

15 Q. So she would cut the cashier's check and also
16 create the redeposit slip with all that information
17 before you even showed up to the bank?

18 A. Everything.

19 Q. All right. And then he wanted to add the
20 formality basically of showing that you were signing on
21 the cashier's check?

22 A. Yes. What I did is, instead of giving her a
23 list of properties, now when I got to the bank, I just
24 made the checks out payable to these trustees. So if I
25 made five checks out to the trustees, I handed them to

1 her, and I said, "Change these to cashier's checks."

2 Q. So we've seen photographs where you are taking
3 pictures of the cashier's check?

4 A. Yes.

5 Q. And you were emailing those pictures back to
6 Denny Chittick at DenSco, right?

7 A. Correct.

8 Q. Why did you feel a need to do that?

9 A. Because he wanted security for his file because
10 of what happened with the double-encumbered thing.
11 Beauchamp said that he needed proof for the file of the
12 checks actually being presented or actually being
13 created for the purpose of the trustee.

14 Beauchamp told him that -- "Look, if you
15 are not going to pay the trustees directly, you at least
16 need a copy of the check."

17 Q. So at some point, you stopped doing business
18 through Chase Bank, right? Stopped utilizing this
19 cashier's check mechanism.

20 A. Yes.

21 Q. Why did you stop? Is it just you stopped
22 buying properties?

23 A. We stopped doing offers to purchase. We
24 stopped buying properties. Everything was just
25 completely upside down. We decided to just start doing

1 in-house accounting.

2 So if I was going to make -- let's just say
3 I was going to make four offers to purchase on these
4 four properties today. Let's just say theoretically.
5 Under normal circumstances, Denny would wire a million
6 dollars for that. We would pretend that he actually
7 wired the million dollars, even though he didn't, and I
8 would apply them towards these loans here, in which
9 these loans never got -- we never bought the properties
10 or anything.

11 So it was the same exact thing, except the
12 money never transferred. It never went back and forth.

13 Q. So what you're telling me is there were monies
14 you owed to DenSco and monies he was committing to
15 lending you, and sometimes you were just offsetting the
16 two amounts and whatever the difference was --

17 A. Yes.

18 Q. -- he might get paid?

19 A. Yes.

20 Q. So he knew that the monies that were coming in
21 to you, frequently are just being used to pay off old
22 loans --

23 A. Yes.

24 Q. -- as opposed to being used for the identified
25 property?

1 A. Like I said, he believed that I had a
2 fraudulent arrangement with auction.com. He believed --
3 and he was okay with it. He believed that the offers to
4 purchase -- that auction.com was selling properties that
5 they weren't supposed to sell, and auction.com was
6 paying me X dollar amount per deal, and that -- as long
7 as he was making his 18 percent interest, he didn't
8 care. He was fine with it.

9 Q. To put it -- but to clarify on that, he
10 believed that a bunch of his money was residing at
11 auction.com, right?

12 A. Correct.

13 Q. And that you were estimating, like, \$30 million
14 worth of his money?

15 A. Correct.

16 Q. He believed, at some point, money from
17 auction.com would be returned to DenSco, right?

18 A. He did not understand or I never explained or
19 wanted to explain that the money that he's lending, I'm
20 paying him back on the old loans -- on the old workout
21 for \$10 million. So as I'm taking it from here --

22 Here is the thing: I'm taking it from here
23 and I'm paying here, and I'm taking it from here and I'm
24 paying here, and it's going back and forth and back and
25 forth. But every day there's 10,000, 15,000 dollars of

1 interest being accumulated. Every day. It doesn't
2 matter. When you wake up in the morning, \$15,000 more
3 of a balance because of the 18 percent. So no matter
4 what happens, every year it's another \$3 million. It
5 doesn't matter how you term it, right?

6 The solution that we came up with in the
7 beginning, prior to the forbearance agreement, I believe
8 was a good one. I thought it was a viable agreement.
9 Denny thought it was a viable agreement. And he was not
10 a dummy -- Denny.

11 We went through the numbers. We made sure,
12 okay, this is going to work out well and everything
13 else. Unfortunately -- and it would have worked. But,
14 unfortunately, because of the double-encumbered part and
15 because of the Bryan Cave and he had to pay this off and
16 he had to pay that off, now he's strapped for money.

17 So now he's saying, "You know what, let's
18 change the model. Now, we've got to sell these
19 properties off," okay? After I've already rented them
20 out. So now we have brand-new tenants in all of these
21 properties. Now he changes everything and he wants to
22 sell them.

23 Now I have to go and do an eviction of all
24 these brand-new properties that I just spent half a
25 million dollars on to rehab all of them, to put

1 brand-new carpet, paint and everything. Now he wants
2 them all sold.

3 How do you think these properties are going
4 to be when I have to tell these new tenants that just
5 moved in a month or two ago that -- "We're evicting
6 you"? Not very good. So this whole thing just became
7 one big mess.

8 So now you have this auction.com thing, and
9 what that is doing is paying off the double lien. The
10 double lien with AFG is paid off. When I say "double
11 lien," I mean the balance of what's owed to DenSco. So
12 money is coming from this pocket to go in that pocket.
13 That's all that's happening. It's just going back and
14 forth.

15 Q. Why did you tell him there was 30 million of
16 his money in auction.com?

17 A. Because I couldn't tell him how screwed he
18 really was. I couldn't tell him, "The first \$10 million
19 went into the bad properties in the beginning, and this
20 is where we stand right now. And now that you want me
21 to go and sell all these properties, we're going to take
22 a hit on everything."

23 I never told him to pay off AFG.

24 Q. That's because you wanted to protect him
25 against the bad news.

1 A. I just couldn't do it. I wish I did. I would
2 never be here today.

3 Q. And he was looking to you to protect him?

4 A. He was looking to me to fix the problem.

5 Q. So let's circle back. Thanks. That is a lot
6 of information, and that's helpful to us.

7 Let me just show you what has been marked
8 as Exhibit 510. So thumb through this.

9 A. I remember this vaguely.

10 Q. Before I talk to you about this, Mr. Menaged,
11 just to go back on this bank information and the second
12 fraud. You said you did speak to Kenneth Frakes, the
13 lawyer, about a claim against the bank.

14 A. I did.

15 Q. I think we covered this earlier. Were you
16 aware that they actually had filed a formal -- that the
17 receiver has filed a formal complaint against U.S. Bank
18 and Chase Bank?

19 A. I do. That's my understanding. At least, I
20 believe that they believe that they have a claim against
21 the bank.

22 Q. Did you review any form of that complaint
23 before it got filed?

24 A. No.

25 Q. You sat with counsel and conferred with him

1 about what you could reconstruct and share with him
2 regarding the bank relationships?

3 A. I did.

4 Q. So this Exhibit 510, if you thumb through it,
5 there is attached to it the settlement agreement?

6 A. Yeah.

7 Q. And this is a settlement agreement between you
8 and the receiver --

9 A. Yes.

10 Q. -- correct?

11 In the document -- let's just go to that.
12 It's Exhibit A to this Petition Number 32 -- you consent
13 to a judgment of \$31 million, correct?

14 A. Right.

15 Q. How did that number get arrived at? Do you
16 recall?

17 A. No. I think the bankruptcy attorney negotiated
18 it or something. It wasn't a negotiation. That's what
19 they said the balance was.

20 Q. Was the receiver telling you that the balance
21 owed for the injury to DenSco was 31 million?

22 A. He said that I was the cause of a \$31 million
23 loss.

24 Q. Do you remember that there was a larger amount
25 actually owed. It was, like, 47-, but they took into

1 account interest paid and reduced it?

2 A. Yes.

3 Q. Has the receiver or any representative of the
4 receiver ever said the banks caused a lot of these
5 problems for the receiver?

6 A. I don't remember that.

7 Q. Let me ask: This agreement, there is a
8 "Scott's Cooperation" in paragraph C. Do you see that?
9 The second page of that settlement agreement, toward the
10 top of the page.

11 A. Yeah.

12 Q. So what do you understand your obligations are
13 to the receiver in terms of cooperating?

14 A. That if I can help them in any way with
15 information that I have that would not incriminate me, I
16 am required to do so.

17 Q. And you have done that, right?

18 A. I have done that.

19 Q. To the extent you could?

20 A. Yes.

21 Q. So that I'm clear -- the court may want to know
22 this as well -- if the lawyer that's been hired by the
23 receiver to pursue AFG, Active Funding Group, were to
24 come to you to gather information about a potential
25 claim against them, would you cooperate with them?

1 Would you share information with them?

2 A. I believe that would go under the Fifth
3 Amendment. I believe that would go under the Fifth.

4 Q. If they were to treat that information as
5 confidential and not publish it?

6 A. It would be hard for me to say without having
7 more information.

8 Q. So the paragraph E -- or section E talks about
9 the "Receiver's Cooperation." Do you see that?

10 A. Yeah.

11 Q. What did you understand the receiver was
12 committing itself to do with regard to you?

13 A. What I believed is that if I needed any
14 information, as far as documents, testimony, paperwork,
15 anything to do with the file, that he would send it to
16 me and cooperate with me. Unfortunately, that hasn't
17 happened.

18 And I've sent them multiple letters. I'm
19 asking for this document and that document. I don't get
20 anything, so I don't really know what's going on.

21 Q. Who do you write to?

22 A. I send it to Ryan Anderson. I copy Peter
23 Davis.

24 Q. Do you communicate at all with the Osborn
25 Maledon law firm? Mr. Sturr is here. He has a partner

1 Colin Campbell.

2 A. No. I never contacted them.

3 Q. I did see a letter you wrote to Mr. Campbell
4 about a month ago or so. Do you recall that?

5 A. I did?

6 Q. Yeah.

7 A. About what?

8 Q. I think it's about this deposition. Does that
9 ring a bell?

10 A. That I wrote him a letter about --

11 Q. You wrote to Mr. Sturr's partner, Mr.
12 Campbell.

13 A. Do you have the letter?

14 Q. Yeah. We're going to chase it down.

15 A. I don't remember.

16 Q. I don't want to waste your time. We'll get it
17 for you and we'll look at it.

18 A. Okay.

19 Q. So F -- let's take a look at F together.
20 Well, let me back up.

21 Did you specify what you wanted from the
22 receiver that you didn't get other than some documents?

23 A. It was just some documents. I needed some
24 documents. I have a pending appeal right now. I needed
25 clarification on some interest. I needed some

1 clarification on what exactly the loss was from phase
2 1 or fraud 1, whatever they call it, and fraud 2. I
3 needed it broken down as to what the loss was prior to
4 fraud 2, let's say, and after fraud 2. I needed some of
5 that stuff for the appeal. I never got any.

6 I would think that the receiver, spending
7 all this time and money on accounting, he would have
8 that readily available. So I don't know why I haven't
9 received it.

10 Q. So were those emails that you were sending
11 requesting --

12 A. Certified letters.

13 Q. Certified letters.

14 Were you sending them to Mr. Ryan Anderson
15 or to Peter Davis, the receiver?

16 A. Both.

17 Q. As it relates to your written communication
18 would that have been to Ryan Anderson?

19 A. That's who I would write to, yes.

20 Q. I think Mr. Anderson shared it with Mr.
21 Campbell and Mr. Campbell shared it with us.

22 A. Yeah.

23 Q. Let me ask you to look at section F, Electronic
24 Records. I want to run this down with you.

25 A. Okay.

1 Q. So you, through your counsel, shared your
2 electronic records with the receiver, right?

3 A. Yes.

4 Q. And do you recall what electronic devices you
5 shared with him?

6 A. A couple of computers and my cell phone.

7 Q. All right. I know you testified before, and I
8 read it. You would get rid of your cell phone every
9 year or two --

10 A. Yes.

11 Q. -- and replace them.

12 But as it related to the information you
13 gave them, the electronic devices, did you believe that,
14 at the time you gave it to them, that was all you had in
15 terms of electronic records?

16 A. Yes.

17 Q. Did you reach an agreement with the receiver as
18 to how that information was to be treated?

19 A. Yes.

20 Q. What was the agreement?

21 A. That it was to be treated confidentially, that
22 my attorney was going to go through everything to mark
23 what is private and what isn't. We were going to go
24 through all this together. If my attorney had any
25 questions, we were going to go through it to make sure

1 that, you know, what could be used could be used.

2 But, unfortunately, right after that time,
3 I got arrested. I no longer had an attorney to go
4 through everything. So they took it upon themselves to
5 use everything. I guess there is no privilege. I don't
6 know what they did.

7 Q. I think -- to clarify for the record, I think
8 Ryan Anderson, the lawyer for the receiver, actually
9 looked through the documents and I think set aside
10 things that he thought might be confidential or
11 privileged.

12 Does that ring a bell with you?

13 A. It doesn't ring a bell to me. I'm not very
14 happy that it's the receiver that is going through it
15 and determining what's confidential and what's not
16 confidential.

17 Q. I think, as a practical matter, you didn't have
18 counsel, so someone had to do it.

19 A. Right.

20 MR. STURR: To make a record here: It was
21 while you had counsel, sir. And your lawyer agreed with
22 Mr. Anderson that Mr. Anderson would review the material
23 for privilege, which he did, and any documents that he
24 deemed to be privileged had not been produced to the
25 defendants.

1 THE WITNESS: Okay.

2 A. Then I don't know anything about this.

3 Q. (BY MR. DeWULF) I didn't want you to be
4 worried about that.

5 A. I don't know anything about any of that staff.

6 Q. I think, actually, Mr. Anderson did some sort
7 of a log too that identified things that he thought
8 would be confidential. And he identified them, and they
9 are being withheld.

10 A. Okay.

11 Q. With that understanding, were you -- you were
12 comfortable that whatever you had at that time that was
13 electronically stored, you provided to the receiver?

14 A. Whatever I had at the time, I provided, yes.

15 Q. Did you ever learn what they -- who they
16 used or what service they used to image that information
17 off the electronic devices?

18 A. No.

19 Q. Did you or your counsel have say in who was
20 used or who was chosen?

21 A. No. Because I think -- I think it was the
22 receiver that paid for it. I do remember something like
23 that. The receiver paid for it, so they chose who it
24 was.

25 Q. So the -- you understood that you were giving

1 and getting a release in section H, right? On this
2 agreement.

3 A. Yes.

4 Q. And in the -- and you can review it. In fact,
5 I can tell you probably where it is. The Petition 32,
6 which is the document this is attached to, is the
7 receiver's formal request for and approval of the
8 agreement that was entered into with you. Do you see
9 that?

10 A. Yes.

11 Q. And in it, the receiver represents that -- I'll
12 find the language for you.

13 Did you ever see this petition that was
14 filed with the court?

15 A. I did see this because I signed it. This
16 agreement you mean?

17 Q. No. I mean the petition that is attached to
18 this document. It was filed by lawyers. But I'm just
19 asking whether you --

20 A. I can't remember if I did or not.

21 Q. Look at paragraph 35. This is the part I was
22 going to talk about. So it's paragraph 35. It's on the
23 10th page.

24 A. Okay.

25 Q. It says "Under the terms of the settlement

1 agreement, in the event Menaged's cooperation results in
2 monetary recoveries for the receiver against third
3 parties after of the date of the settlement agreement,
4 the receiver agrees to reduce the amount of the judgment
5 by an amount equal to the gross recovery from the third
6 party that is related to Menaged's cooperation."

7 Did I read that correctly?

8 A. Yes.

9 Q. Did you understand that that was part of the
10 agreement you had with the receiver?

11 A. Yes.

12 Q. It's your understanding that if you cooperate
13 with the receiver and, as a result of your cooperation,
14 they're able to make a recovery against other parties,
15 that would reduce the amount you would owe to the
16 receiver?

17 A. Correct.

18 Q. Dollar for dollar?

19 A. That's what it says.

20 Q. So has that happened at all? In other words,
21 have there been any recoveries that have reduced that
22 \$31 million amount?

23 A. There have been recoveries. I don't know what
24 they are. I know that they continued to send the
25 investors money. I think, since I've been here, in the

1 last 12 months, this is the second payment.

2 Correct me if I'm wrong, but I think there
3 was a second payment for a million dollars each. I
4 think \$2 million was already sent to them, one as
5 recently as a couple of weeks ago. I just got
6 notification from the courts.

7 Q. You lost me there. A million dollars to whom?

8 A. To the investors.

9 Q. And a million -- you said to each. A million
10 dollars each?

11 A. A million dollars total that is divided to each
12 one of the investors.

13 Q. I understand.

14 MR. DeWULF: Do you need to stretch?

15 THE WITNESS: I'm okay.

16 MR. DeWULF: Let's take a break.

17 (Recess from 2:45 p.m. to 2:50 p.m.)

18 (Exhibit 1133 marked)

19 Q. (BY MR. DeWULF) So I'm trying to help you on
20 dates here.

21 A. Yeah.

22 Q. You were asking about when the term sheet was
23 signed, and I was recalling it was early 2014.

24 A. I still don't see it, though.

25 Q. This document doesn't have a signature line,

1 does it?

2 I'm going to show you a document that was
3 earlier marked as 192, but I don't have another copy of
4 it. But it shows it looks like a signature January of
5 2014.

6 MR. STURR: John, I think I have a copy of
7 the term sheet. I brought a copy. It has a signature
8 page. Do you want to do that?

9 MR. DeWULF: Yeah. Let's do that. Mine
10 doesn't have a signature page.

11 Q. (BY MR. DeWULF) I'm showing you Exhibit 1133.
12 Earlier, we were talking about when the term sheet would
13 have been --

14 A. Yeah.

15 Q. -- signed, and although this doesn't have a
16 precise date in January, it indicates it was signed in
17 January of 2014. Do you see that?

18 A. Yeah. I don't think that's accurate.

19 Q. You think the term sheet would have not --

20 A. It was after this.

21 Q. You think it was after January of 2014?

22 A. Yeah. Because I remember it being sent in
23 January. Denny wasn't around for a while. I think it
24 was in February. I'm remembering this a little bit.

25 Q. I didn't hear what you said. You remember it

1 being sent?

2 A. I remember it was sent to Denny in January. He
3 wasn't around right away, and I think this got signed.

4 But no matter what, whether January or
5 February of 2014, at some point at the beginning of
6 2014, it was signed, obviously.

7 Q. What did you understand the purpose of the term
8 sheet, Exhibit 1133, to be?

9 A. I might be getting this confused with something
10 else. But I thought what this was going to be was that
11 this is how DenSco was going to be paying off AFG. I
12 thought that's what this was about. I don't know if it
13 is or not, but I'm trying to find it.

14 Q. Did you understand that the term sheet was kind
15 of the prelude or anticipating the forbearance agreement
16 that would be done between the parties?

17 A. Yes. I knew there was a forbearance agreement
18 coming.

19 Q. All right. I'm going to show you -- actually,
20 I've already given you a copy of that, and that is
21 previously marked Exhibit 97.

22 A. Yeah. It says here "Borrower and DenSco agree
23 to and will deliver adequate funds to Magnus to pay off
24 all the loans from other lenders on or before February
25 28, 2014."

1 That's what this was. I do remember that.

2 Q. So a big focus for the term sheet was also
3 dealing with the lenders that were represented by Bryan
4 Cave, right?

5 A. I don't think at that -- were they represented
6 at that time with Bryan Cave?

7 Q. Yeah, they were. The Bryan Cave letter is
8 January 6th.

9 A. And then they were gone after that. They
10 removed themselves. There was a conflict and they were
11 not represented -- none of those lenders were
12 represented after the initial letter. It was a week
13 after that, and then I remember Chittick got a letter
14 saying "We are not representing these people."

15 Q. Right.

16 A. They were not represented when we signed this.

17 Q. I think we are saying the same thing.

18 A. Okay.

19 Q. But the letter from the lawyer predates you
20 signing the term sheet?

21 A. Yes.

22 Q. Okay. And the term sheet, at least in part, is
23 trying to address those lenders that that lawyer Bryan
24 Cave represented, right? And their problems.

25 A. For sure.

1 Q. And also the Active Funding Group problems
2 competing with DenSco, right?

3 A. Yes.

4 Q. And then you negotiate this forbearance
5 agreement that -- I think you start negotiating in early
6 2014, but you don't actually sign it for the first time
7 until April of 2014. Do you recall that?

8 A. That's probably about right.

9 Q. Do you know why it took so long to get that
10 thing done?

11 A. Everybody was going back and forth on changes,
12 wording. It was frustrating. Denny, I remember --
13 that's all I really remember.

14 Q. So it appears that, because there are all these
15 back and forths, these emails -- there's emails between
16 you and Denny Chittick. There's emails between the
17 lawyers, et cetera. Do you remember that sometimes
18 Denny Chittick would share with you what his lawyer was
19 telling him?

20 A. That Denny would share with me what David
21 Beauchamp -- all the time.

22 Q. Did he ever send to you any of the written
23 communications from Mr. Beauchamp?

24 A. I'm pretty sure, yes. I actually remember
25 that.

1 Q. I know -- and there are a bunch of emails --
2 and we'll go through them, but not today. I think we
3 are going to wrap up with that fairly soon.

4 A. Yeah.

5 MR. DeWULF: Are you all right with that,
6 Geoff?

7 MR. STURR: We can do this off the record.

8 (Discussion off the record)

9 Q. (BY MR. DeWULF) So as it related to this
10 dynamic between lawyers and clients, et cetera -- and we
11 talked earlier about this -- in your view, was
12 Mr. Chittick deferring to you in terms of what this
13 agreement ought to say?

14 A. No.

15 Q. Was it a mutual agreement between you and him?

16 A. Yes.

17 Q. But it sounds like the lawyers didn't have a
18 lot of say in how this thing ended up?

19 MR. STURR: Object, form.

20 A. I wouldn't say that. I wouldn't say the
21 lawyers didn't have -- the lawyers are the ones that put
22 it together. And then, if there was a word here or a
23 paragraph here or something that needed to be modified,
24 Denny would bring it up to David.

25 Q. (BY MR. DeWULF) So one of the issues -- did

1 you ever enter into a forbearance agreement before with
2 any other lender?

3 A. No.

4 Q. Did you understand that forbearance agreement
5 is like a workout agreement where there are loans that
6 are in default, but the lender is willing to forgo
7 certain rights in order to get performance?

8 A. I understood that afterwards, yes.

9 Q. Well, would that understanding have been based
10 on what your lawyer told you or would you have learned
11 that otherwise?

12 A. I believe I would have learned it otherwise.

13 Q. So you understood that the purpose, at least in
14 part, was to protect the lender going forward, right?

15 A. Yes. I knew that.

16 Q. Because they needed to know that you were going
17 to perform under certain commitments you were making,
18 right?

19 A. Yes.

20 Q. One of the things they were seeking as a
21 predicate was that you had defrauded DenSco. Do you
22 recall that negotiation?

23 A. Yes.

24 Q. But you weren't willing to agree with that,
25 right?

1 A. No. Because I didn't feel like I did defraud
2 DenSco. To this day, I mean, I don't feel like -- I'm
3 not saying I didn't do anything wrong. I did a lot of
4 things wrong. But I didn't wake up one morning and
5 decide let me go and steal money from a company. That
6 didn't happen. That's not how this happened.

7 Q. What did you think you did wrong?

8 A. What I did wrong was not tell him the truth in
9 the beginning. I should have said, "Here is all your
10 properties. If you don't want to be friends with me
11 anymore, it's okay. Go do what you want to do. Have a
12 nice life. I lost a few million dollars. I'm good to
13 go. Move on. Next venture." That's what I should have
14 done.

15 I tried to just protect his feelings. I
16 tried -- I tried -- and I just kept getting in deeper
17 and deeper and deeper.

18 If there was no interest involved, I would
19 have come out of this. I believe everything would have
20 been made whole, but because every day you are talking
21 20,000, 30,000, 15,000. Every day. There was no way
22 for me.

23 So then I started having negotiations with
24 him about this. "Hey, we need to do something about
25 interest. This is not going to work. This is not

1 working out here."

2 And so, at that point, that's when he
3 started giving me a discount on the interest if I paid
4 in cash, which is what I started doing. Now I started
5 withdrawing tons of cash.

6 I mean, I did everything I could have done
7 to fix the problem. I understand it snowballed and
8 continued to go and go and go.

9 But, ultimately, when it says a \$31 million
10 balance, I didn't use \$31 million. I didn't spend \$31
11 million. No one can actually tell me where is the \$31
12 million after years of the receiver spending millions of
13 dollars.

14 Where is the \$31 million? I keep asking
15 over and over. Nobody seems to have an answer for that.

16 "Well, it went here. It went here."

17 "It went where? Show me. Where is the
18 money? I don't know what you're talking about."

19 In my criminal case, this was a thing that
20 I continued to bring up to the courts, and the judge
21 didn't understand. If I don't understand, how can the
22 judge understand?

23 That's where the judge kind of laughed
24 about it. He said, "Sir, you want me to believe
25 something you don't even understand."

1 I said, "That's the truth. I don't
2 understand. I don't even know what you're talking
3 about, \$31 million. Where is that money? I have no
4 idea what you're talking about."

5 So this is -- because of all of this, this
6 whole thing became one big mess. So month after month
7 and year after year, it snowballing at 4- or 5 million
8 dollars a year, of course you are going to come up to
9 these crazy numbers. That's the only thing that I could
10 possibly come up with in my mind, other than whatever
11 else I can't talk about.

12 Other than that, I mean, that's it. There
13 is no hidden accounts. There's no money under the
14 ground. There's none of that. This was all just trying
15 to solve the problem when the market burst. That was
16 it.

17 Q. So going back to the negotiation of the
18 forbearance agreement. You were not willing to admit,
19 as part of that agreement, that you had committed fraud,
20 right?

21 A. No, I was not.

22 Q. Do you recall that Mr. Beauchamp had wanted
23 that to be a part of the forbearance agreement?

24 MR. STURR: Form.

25 A. Yes.

1 Q. (BY MR. DeWULF) And Mr. Chittick had
2 communicated that to you, right?

3 A. Yes.

4 Q. But, ultimately, Mr. Chittick took your side of
5 that issue and didn't insist that you agree on the
6 forbearance agreement that you committed fraud?

7 MR. STURR: Form.

8 A. Mr. Chittick said -- what I told Mr. Chittick
9 was that I was not signing it. I told Mr. Beauchamp the
10 same thing, "I'm not signing this. So if you want me to
11 admit to this, then write a letter to all your
12 investors, open up everything. Open the whole thing up.
13 I have no problem. I will tell everyone exactly what
14 happened and let's move this along." That's what I
15 said. What they chose to do was change the wording.

16 Q. (BY MR. DeWULF) Do you remember there were
17 other terms in the forbearance agreement where you and
18 Mr. Chittick agree how to deal with those terms, other
19 than that fraud issue you just identified?

20 MR. STURR: Form.

21 A. Give me an example. Because I don't know what
22 you mean.

23 Q. (BY MR. DeWULF) For example, the lending of
24 money by DenSco to you, advancing additional funds.

25 A. Yes.

1 Q. That was an agreement between you and
2 Mr. Chittick that the lawyers had to memorialize, right?

3 A. Yeah. I think that was an agreement between
4 you, me, and Mr. Chittick, yes. That was not going to
5 be part of the forbearance agreement, but Beauchamp
6 wanted it as part of the forbearance agreement. There
7 was something with that. I don't remember what it is.

8 They had to rename it as unsecured line of
9 credit or something like that. There was something to
10 that. I just can't remember what it was.

11 Q. I think you talked about this. Let me just
12 make sure that I'm clear on it. The oral agreement that
13 you entered into with Denny Chittick in 2013 to solve
14 all these double-lien problems was one that DenSco was
15 already performing on by the time Mr. Beauchamp got
16 involved.

17 A. Yes.

18 Q. Okay. And that included DenSco already
19 advancing some funds, right? On this agreement.

20 A. To pay off other lenders?

21 Q. Yes.

22 A. Yes. He was already paying off the other
23 lenders. By the time it went to David Beauchamp, I
24 would say half of the loans with other lenders, not
25 AFG -- but half of the loans to the other lenders were

1 already paid.

2 Q. That was to be a part of some sort of formal
3 agreement, right? That you had already performed before
4 it ever got put in writing.

5 A. I don't remember having that conversation,
6 honestly. I would assume so, yes, but I don't remember
7 having that conversation with anyone.

8 Q. And you indicated earlier in your testimony
9 that one of the primary goals, as Denny Chittick had
10 explained to you, was he wanted something in writing
11 that he could share with his investors, right?

12 MR. STURR: Form.

13 A. Only in the event that his investors found out.
14 Not to sign this and then go and blast it out by email.
15 This was a -- I believe there was even a confidentiality
16 part of this agreement that was signed.

17 This wasn't to go out to his investors.
18 This was in case the whole world blew up, and, "Hey, I
19 was competent. Look at what I did." It was more of a
20 paperwork. That's what it was.

21 Q. (BY MR. DeWULF) So you didn't think that he
22 was intending to share with his investors the existence
23 of the forbearance agreement?

24 A. No. He absolutely wasn't. Him nor David
25 Beauchamp. I mean, they both knew that this wasn't

1 going out to the investors. We all discussed this.

2 Q. Mr. Chittick told you that he wasn't intending
3 to show the forbearance agreement to his investors?

4 A. He told me, yes.

5 Q. And the forbearance agreement has a
6 confidentiality provision in it. Do you recall that?

7 Let me walk you through that. That's
8 previously marked as Exhibit 97. Do you see that?

9 A. Yes. Do you know what page it's on?

10 Q. I do. So the first part of that attachment to
11 the letter is the forbearance agreement, and the
12 confidentiality provision starts -- unfortunately, these
13 pages are not numbered -- but it is section 18. If you
14 go through the numbered sections in this agreement --

15 MR. STURR: 740 at the bottom.

16 A. 740 at the bottom. Yes, I see it.

17 Yes. I remember this.

18 Q. (BY MR. DeWULF) Okay. This is a lengthy
19 section.

20 A. Yes.

21 Q. But if you look at about nine lines down,
22 there's this little (i), what we call romanette (i),
23 which is at the end of the line. Do you see that?

24 A. Yeah.

25 Q. And then it has that romanette (i), and then it

1 says "and," and then it has a romanette (ii) "above are
2 subject to the following exceptions." These are
3 carve-outs to the confidentiality obligations of the
4 parties. Do you see that?

5 A. Yes.

6 Q. Do you recall that -- and you can read it if
7 you like -- that the carve-outs allowed Denny Chittick
8 to speak to the investors about what they are entitled
9 to under Regulation D disclosure rules?

10 A. I see that.

11 Q. Do you recall that was negotiated with you?

12 A. No. Obviously, it was because it's there, but
13 I don't recall that.

14 Q. So sitting here today, you don't recall that
15 being a part of the confidentiality agreement?

16 A. No. The purpose of the confidentiality
17 agreement, the whole thing with this forbearance
18 agreement -- Chittick's biggest thing with this
19 forbearance agreement was that it does not get out. He
20 wants it to cover his ass. That's what this was.

21 That's why he didn't really want to even
22 pay Beauchamp so much money because this was just
23 paperwork that was going to go inside the file. That's
24 it. This was not anything else. It was in case, God
25 forbid, something happens, he can say, "Look, I knew

1 what was going on, so look what I did. Look at all
2 these documents I did to protect us." That's what this
3 was.

4 Q. Did you know that his investors, a lot of them
5 were family and friends?

6 A. I found that out down the road, yes.

7 Q. Including his parents?

8 A. Yes.

9 Q. Some of his siblings?

10 A. Yes.

11 Q. Did he ever explain to you how a big event like
12 this could be hidden from his investors?

13 A. "Could be"?

14 Q. Could be hidden or not discussed with them.

15 MR. STURR: Form.

16 A. He didn't discuss it with them.

17 Q. (BY MR. DeWULF) That's not my question. My
18 question is, did he ever -- did Mr. Chittick ever
19 explain to you how he could avoid providing this kind of
20 information to his investors?

21 A. By just not telling them.

22 Q. He didn't think anyone would know?

23 A. How would they know?

24 Q. Because the company is losing money.

25 A. Not according to his books, they're not. His

1 tax returns are looking better and better every year.

2 Q. That's because of false financials, right?

3 A. That would be correct.

4 MR. STURR: Form, foundation.

5 Q. (BY MR. DeWULF) Well, did Mr. Chittick tell
6 you that he thought he could just perpetuate this false
7 representation of the money making money -- or the
8 company making money when it wasn't?

9 A. I believe -- Mr. Chittick said that he was
10 going to continue -- that this was going to continue
11 until we came out of our hole.

12 Q. "This was going to continue"?

13 A. That the reason that this forbearance agreement
14 never had to come to light is because eventually we
15 would be out of this mess.

16 Q. Did he ever share with you -- I think you
17 mentioned in terms of the time frame -- remember, when
18 we talked about that, you thought maybe it could be done
19 in 90 days, maybe six months. And then the length of
20 time it took, I think you said a year to 18 months,
21 right? Do you recall that?

22 A. Yes.

23 Q. Did he ever share with you what he was going to
24 tell his investors for the year to 18 months about what
25 was going on with the company?

1 A. Chittick never -- there's an annual report that
2 is supposed to be filed when you're a hard money lender.
3 I don't know if that's part of the 1031 or the SEC or
4 whatever regulations he was a part of. I'm trying to
5 think what the word is. Investor memorandum maybe.

6 There's something that he's supposed to be
7 filing or that his attorney is supposed to be filing
8 every year or every two years. That's the only thing he
9 was concerned about, that he was late on it.

10 I do know that Beauchamp was on him
11 about -- "Hey, we've got to do this. We've got to do
12 this." And then ultimately agreed with him, "Okay, yes.
13 For the sake of everything, we'll just kind of let this
14 go a little longer." Because Chittack's thing was -- "I
15 don't want the investors to know."

16 Q. Chittick wanted his investors to know?

17 A. Did not.

18 Q. Did not. But Mr. Beauchamp was saying, "You
19 need to tell your investors"?

20 A. In the beginning, he said he needs to tell the
21 investors. Then his lawyers agreed, "Yes, let's give
22 this another eight months. Let's give this another 12
23 months. Let's give this another 15 months." He kept
24 extending it.

25 Then, "Hey, you're in violation, but, okay,

1 we'll push this a little longer, a little longer,"
2 because Beauchamp didn't know how to disclose this.

3 Q. What you've just described, that is, what the
4 lawyer is saying, is that what Mr. Chittick is telling
5 you that his lawyer is telling him?

6 A. That's what he told me that his lawyer -- I
7 actually feel like I even saw emails about it.

8 Q. What I'm trying to determine is whether you
9 were ever present when Mr. Beauchamp said that or
10 whether this is Mr. Chittick telling you that?

11 A. No. I just saw the forwarded emails to me.

12 Q. His lawyer is saying -- let me step back.

13 Mr. Chittick is telling you that the lawyer
14 is telling him, "You can wait for a while in terms
15 of" -- or he can wait a while to tell the investors
16 about the forbearance agreement?

17 A. Not about the forbearance agreement but about
18 filing his -- whatever that is that he has to file every
19 year. I can't remember right now the name. I have it
20 written down. I can't remember the name. Investor
21 memorandum or investor -- it's something that's supposed
22 to be filed.

23 Q. Let me break this down. I think I can help
24 you.

25 So there is a document -- and it's called a

1 private offering memorandum -- that DenSco -- because it
2 raises money from accredited investors, it has to do
3 certain things in a written format.

4 A. Yes.

5 Q. Do you know what I mean?

6 A. I've seen that.

7 Q. Is that what you're thinking about?

8 A. There is something that is supposed to be filed
9 with the investors every year or every two years -- I
10 don't remember if it's a year or two years -- and it's
11 supposed to give the condition of DenSco.

12 Q. It was to be done every two years, and it would
13 have been due -- the two-year anniversary would have
14 been 2013.

15 A. And that was not filed.

16 Q. Right. Was Mr. Chittick telling you that he
17 was concerned because he needed to update that to
18 provide to his investors?

19 A. Yes.

20 Q. And you remember --

21 A. And there was one investor that asked for it,
22 and he said he was behind on getting it done, and he
23 ultimately returned the money to his investor. I do
24 remember that. Now that you said that, I do remember
25 that.

1 Q. And your memory is that his lawyer also wanted
2 him to update this POM or this formal document to
3 provide to his investors?

4 A. I don't know about "wanted." He said, "It's
5 due."

6 Q. "You got to do it"?

7 A. "You got to do it."

8 Q. Did you understand that that document was
9 this -- important information about what was going on at
10 DenSco?

11 A. I didn't really understand much about it. I
12 just understood that it was something that had to be
13 done, that Denny really didn't wanted to do, and
14 ultimately his lawyer said, "Yes, I understand the
15 bigger picture. I think we should delay. We can delay
16 in the interest of what's best for everybody. If you
17 are going to get this resolved in the next 18 months,
18 okay, then, yes, there's no reason to make it a big
19 deal."

20 Q. Let me break this down. So you understood that
21 Mr. Chittick and his lawyer understood that this POM
22 document, this formal securities document, needed to be
23 done soon, right?

24 A. Yes.

25 Q. And that -- did you also understand that that

1 document would inform the investors about what was going
2 on?

3 A. It would show his financial condition. That's
4 what I understood. He did not want that. Once again,
5 he decided to delay, with the permission of his
6 attorney.

7 He asked his attorney. His attorney said,
8 "Yes, we can delay it a little bit longer, a little bit
9 longer." And Denny was getting concerned, and I know
10 Beauchamp was getting concerned too about this.

11 Q. So when you say they decided to delay things,
12 when was that? What's that point in time when they
13 decided to delay things?

14 A. I know it was at the time that we talked
15 that -- it was sometime in 2013. I don't remember when,
16 but it was sometime in 2013. And it's my understanding
17 it was never filed. I don't think it was ever filed, or
18 Denny didn't tell me.

19 Q. Are you pretty sure it was in 2013?

20 A. I think it was in 2013. It might have been in
21 2012. It might have been 2014. I'm not really
22 positive. It could have been after the forbearance
23 agreement. I really don't remember. All these days are
24 all blurring together.

25 Q. That's fine. It's important to us because I'm

1 representing the lawyers. And I know Mr. Sturr is
2 writing vigorously over there because he's going to ask
3 you some questions.

4 MR. STURR: I'm writing every word down so
5 I can read it back.

6 THE REPORTER: Now you're doing my job.

7 Q. (BY MR. DeWULF) You think that there may have
8 been some delay in time regarding the disclosure of this
9 document to get this forbearance agreement done or get
10 something in writing or what?

11 A. No. To get the whole thing resolved, paid off,
12 everything good, business back to normal. That was the
13 goal.

14 Q. Let me show you what has previously been marked
15 as Exhibit 548.

16 So the -- there are two emails in this
17 Exhibit 548. At the bottom, this is your email to Denny
18 Chittick on February 11, 2014, right?

19 A. Uh-huh.

20 Q. Yes?

21 A. Yes.

22 Q. Why don't you read it?

23 A. Okay.

24 Q. And what you're asking him is, I don't
25 typically do business with my family members, but could

1 you use some more investors, basically, right?

2 A. Yes.

3 Q. And do you see his response?

4 A. He says 12 percent is what you can pay.

5 "Interest can be paid monthly, quarterly. However, I've
6 not taken any new investors. So, if I do, I have to
7 disclose a lot to them, which is all about you. I might
8 have 500K in from someone. Know soon."

9 Q. Do you remember getting this email?

10 A. I received the email, yes.

11 Q. Right. So he's telling you in February, he
12 understands that he has a duty to tell new investors
13 what's going on, right?

14 A. Yes. He knew that.

15 Q. What he's saying is "I have to tell them about
16 the problem about you and I have," meaning the problem
17 Scott Menaged and Denny Chittick have that we're trying
18 to solve, right?

19 A. Correct.

20 Q. So at least, as of February of 2014,
21 Mr. Chittick is conveying to you that he has a duty to
22 tell investors what's going on?

23 A. He knew he had a duty.

24 Q. Okay. We may have covered this, and I
25 apologize if I'm repeating myself. But you remember

1 that those four payments that you were going to come up
2 with -- the money you were going to come up with under
3 the forbearance agreement over time that we talked about
4 earlier in your deposition testimony, you originally
5 thought you could bring that money in, right?

6 A. I was going to do my absolute best to do it.
7 That's what I was going to sign to.

8 Q. And you were communicating with Denny Chittick
9 about your belief that you could bring it in?

10 A. Right.

11 Q. Was -- without communicating to us what you and
12 Mr. Goulder talked about, was Mr. Goulder doing what you
13 were requesting him to do in connection with negotiating
14 the forbearance agreement?

15 A. Yes.

16 Q. You never had a time where he was doing
17 something you didn't authorize him to do or didn't want
18 him to do?

19 A. Not that I recall.

20 Q. So to the extent that something was
21 communicated by him to Denny Chittick's lawyer, he was
22 authorized by you?

23 A. I can't say that a hundred percent because I
24 don't know what he communicated to Denny Chittick's
25 lawyer. Lawyers talk all the time, so I don't know. He

1 didn't call me every time he had a conversation with
2 him, if that's what you're asking.

3 Q. I'm not asking that. What I'm really asking is
4 are you aware of any time -- maybe a different way of
5 asking. Were you aware of any time where you learned
6 that Mr. Goulder had communicated something that was
7 wrong or without authority?

8 A. I don't believe so. But remember, please, it's
9 seven years ago, six years ago. I barely remember what
10 happened yesterday. I don't even remember if this
11 attorney came and visited me here. So seven years ago,
12 I may not exactly remember what happened with Jeff
13 Goulder.

14 Q. Right.

15 A. I mean, we went over this once or twice
16 already, so...

17 Q. I'm going to try to avoid having to use a
18 number of these documents because I think we talked
19 about that you've actually been -- had a good memory
20 about a lot of these items. We don't need to prompt
21 your memory.

22 Do you remember --

23 (Exhibit 1134 marked)

24 Q. I'm going to show you Exhibit 1134.

25 A. I see it.

1 Q. So do you know what's going on here in this
2 document?

3 A. No. What's going on?

4 Q. What is the bank telling you?

5 A. That I could make wire transfers online for up
6 to a million dollars.

7 Q. So Denny Chittick responds "I guess they heard
8 about us." Does that mean that you're a good customer
9 and you can deal with a lot of money?

10 A. I guess so. I don't remember this. I don't
11 remember the emails, to be honest with you. I'm sure
12 they did at some point increase the limits, but I don't
13 remember how or why.

14 Q. And he makes this note "Due to potential
15 fraud." I don't know where that comes from. It's in
16 different type so --

17 A. I don't know where that came from because I
18 don't -- I don't think that came on the email.

19 Q. Okay. My partner is just sharing with me that
20 that would have been taken out of that email from you
21 where that -- if you look at that fourth paragraph, it
22 says "Please note that all transactions are still
23 subject to available funds in your account. We may
24 revoke access to transactions at any time due to
25 potential fraud or other security concerns."

1 Is this -- do you think you guys are having
2 a laugh together about the bank, and what you guys are
3 doing together?

4 A. No. Not at all.

5 Q. When he talks about potential fraud and the
6 bank learning about potential fraud, that's not an
7 inside joke or anything? In May of '14.

8 A. I don't think that's on his email, "due to
9 potential fraud." I don't even know how that got there.

10 Q. I think he took it from down below, and it was
11 moved from your --

12 A. If he did, then it passed me when I read the
13 email. I must have not even paid attention to it.

14 Q. All right. I'm showing you Exhibit 1135 and
15 1136.

16 (Exhibit 1135 and Exhibit 1136 marked)

17 Q. So 1135, Mr. Menaged, is a series of emails.
18 It's about finalizing this forbearance agreement. Do
19 you see that?

20 A. Yes. That's in June.

21 Q. Right. And I think what happened -- do you
22 remember this, that the agreement was signed off in
23 April, and then there was clean-up work that had to be
24 done on signatures, and I think there were additional
25 numbers that had come in that require -- and I think

1 your wife had to sign the document that she had no
2 interest -- there was no community interest. Do you
3 remember any of that?

4 A. No.

5 Q. I think that the agreement was signed and
6 finalized in April, but then there was some clean-up
7 stuff that had to be done. Does that ring a bell with
8 you at all?

9 A. It doesn't ring a bell, but I can't say it did
10 or did not happen. I just don't remember.

11 Q. Do you remember this communication between you
12 and him?

13 A. "Email to approve substitution of revised pages
14 for forbearance documents." Substitution of revised
15 pages?

16 Yeah. Maybe they emailed -- maybe they did
17 change the dollar figures or something along the way.

18 Q. So the first page, when you're saying to him --
19 to Denny Chittick, you're saying "We will keep trying to
20 delay till it looks better and better." What were you
21 saying there?

22 A. Until the numbers look better and better.
23 That's what it was.

24 Q. So you are wanting to delay signing whatever
25 needed to be signed because --

1 A. I think we were trying to wait -- I can't
2 really remember. I think we were trying to wait until a
3 lot of those loans were paid off and sold so the numbers
4 looked better for the forbearance agreement. I think
5 was the ultimate goal. That's what I'm believing. I
6 can't say really that I remember any conversation about
7 this, though.

8 Q. All right. I'll show you 1137.

9 (Exhibit 1137 marked)

10 A. Okay.

11 Q. Let me just ask: 1135 and 1136, these are your
12 back and forth. This is your email address --

13 A. Yes.

14 Q. -- and you are communicating with Denny
15 Chittick, right?

16 Then 1137 is, again, it's a June 16, 2014,
17 email to you from Denny Chittick. Do you see that?

18 A. Yes.

19 Q. It says "Okay. I guess Dave is losing sense of
20 humor with our delay."

21 Do you remember there were times when you
22 and Denny Chittick used to kind of have fun about the
23 lawyers, that they were charging too much and taking too
24 long and making things more complicated, things like
25 that?

1 A. Yes. Like I said, I didn't feel like I even
2 needed the forbearance. We didn't need the forbearance
3 agreement.

4 Q. I'm showing you 1138. Let me look at that for
5 just a minute. We don't need to mark this. Let's
6 take this off. It's already been marked.

7 A. Okay.

8 Q. I'm showing you what's been marked Exhibit 549.
9 And it's an email from you to Denny Chittick, dated June
10 27, 2014. Do you see that?

11 A. Yes.

12 Q. And you ask him what time he'd be available to
13 go over everything today. Do you see that?

14 A. Yes.

15 Q. And then he comes back "I should be back here
16 by 2:00 p.m. or so."

17 And you say "Okay. Hope you are not
18 meeting with an investor who is looking for a
19 memorandum. Haha."

20 A. Yes. That's the thing I'm talking about.

21 Q. So the memorandum we're talking about is the
22 security's document --

23 A. Whatever document that needs to be filed every
24 two years that has been past due.

25 Q. So what are you laughing about here? Because

1 it hasn't been done?

2 A. No. It hasn't been done and it wasn't going to
3 get done. He wasn't doing it.

4 Q. So he had shared with you that he had not
5 gotten his memorandum completed to give to investors?

6 A. Right. He wasn't the one doing it. It's
7 Beauchamp that did it every year for him, and Beauchamp
8 did not do it. Correct.

9 Q. Just to be clear, you understand that it's a
10 legal document that requires information from the
11 client, right?

12 A. Yes. Yes.

13 Q. Okay. I'm going to show you Exhibit 550, and
14 then I think we will wrap up for the day.

15 A. Okay.

16 Q. All right. So if we could go to the original
17 email. So the earliest email starts at the bottom of
18 the third page. Do you see that?

19 A. Yes. I remember this.

20 Q. Then it progresses by time toward the front of
21 this Exhibit 550. And so the original email is from
22 David Beauchamp dated March 13, 2015, to Denny Chittick.
23 Do you see that?

24 A. Yes.

25 Q. And it has to do with -- and I'm generalizing,

1 but Mr. Beauchamp seeking to go to lunch with
2 Mr. Chittick and finding out what was happening. Do you
3 see that?

4 A. Yes.

5 Q. I'm not going to belabor the details contained
6 in that letter. But he then forwards to you -- "he"
7 being Denny Chittick -- forwards the email from David
8 Beauchamp to you, correct?

9 A. Yes.

10 Q. He says "Surprise, surprise," right?

11 A. Yes.

12 Q. And then you say "Schedule coffee in 18 months
13 when our balance is close to nothing. Haha."

14 A. Yes.

15 Q. So what you are saying there is, "Don't meet
16 with him now. Wait" --

17 A. Right.

18 Q. -- "because we are going to reduce the amounts
19 owed in 18 months"?

20 A. Right. That was the general plan.

21 Q. And were you talking about the balance owed
22 under the forbearance agreement?

23 A. Yes. Because they wanted to do that
24 memorandum. That's what this is all about, the
25 memorandum.

1 Q. And he, Chittick, was not prepared to do it
2 still?

3 A. He was not prepared to do it, and Beauchamp
4 said he would give it some time so the balances and the
5 numbers looked better. But to basically force him to do
6 it, to say, "Hey, I really need this. We got to do
7 this," because he did say, "I have a fiduciary duty, but
8 I'm going give you some time to get all this cleared
9 up." And that was the conversation they had.

10 Q. So he hasn't spoken, according to his email --

11 A. Right.

12 Q. -- since last year. Do you see that?

13 A. Yes.

14 Q. So was it your understanding that David
15 Beauchamp had stopped communicating with Mr. Chittick in
16 the spring of 2014, a year earlier?

17 A. That can't be. Because I didn't sign the
18 forbearance until when?

19 Q. You signed the forbearance agreement in April,
20 originally.

21 A. No, no. Because he's still emailing here in
22 June of '14 about --

23 Q. Okay. If you look at the date of the
24 forbearance agreement, you'll see that it was
25 actually --

1 A. But your question was do you feel that he
2 stopped talking about it. No. The emails were coming
3 in from June or July.

4 Q. I understand the point you're making. So let
5 me break it down. So look at Exhibit 97.

6 A. 97.

7 Q. It's probably in this stack right here.

8 So the forbearance agreement is that first
9 document in that packet, right?

10 A. Yeah.

11 Q. And you'll notice it's dated April 16, 2014, at
12 the very beginning.

13 A. Yes.

14 Q. And the cover letter is dated April of 2014.

15 A. Yes. Yes.

16 Q. The following agreements are all signed, right?

17 A. Yes. Yes.

18 Q. So April of 2014. Now, there is some clean-up
19 stuff later, but the actual agreement is done in April
20 2014.

21 My question to you, looking at Exhibit
22 550 --

23 A. Right.

24 Q. -- is, do you remember approximately a year had
25 passed since David Beauchamp had talked to Denny

1 Chittick? This being dated March 13, 2015.

2 MR. STURR: Form.

3 A. I can't -- I don't know.

4 Q. (BY MR. DeWULF) You don't know.

5 All right. So then, if you follow this
6 email string, Denny says to you -- let me back up.

7 You said that David Beauchamp was giving
8 Denny all this time to clean things up or whatever.

9 A. Yes.

10 Q. Was Denny the one who told you that?

11 A. Yes.

12 Q. So then, with the string, it says he's saying
13 to you --

14 A. Let me correct that. He's not the only one
15 that said that. I also heard that on our conference
16 call. We were talking about it. We talked about the
17 memorandum.

18 Q. Okay. Who did you hear that from?

19 A. David Beauchamp.

20 Q. When was the conference call?

21 A. That was before the forbearance agreement and
22 after December. So December and April --

23 Q. So sometime between December of '13 and April
24 of '14, you heard Mr. Beauchamp say that Denny could
25 wait a little while before he did this private offering

1 memorandum to the investors?

2 A. Yes. He said, "I will give you some time to
3 get things cleaned up."

4 Q. Correct.

5 So here we are now in March of 2015 in this
6 document that is in front of you.

7 A. Yeah.

8 Q. And Denny is saying to you "I figure it's a
9 miracle he left me alone this long." Do you see that?

10 A. Yes.

11 Q. And you say "He probably heard about the dinner
12 and wanted a free meal. Hahaha."

13 A. Yes.

14 Q. What are you saying there?

15 A. Because Denny always made fun of how much money
16 he was charging and he was getting very agitated about
17 the rates at Clark Hill. So I was making a joke about
18 it.

19 Q. All right. And then, before that, you say "He
20 is not going to be happy I don't think, but it is what
21 it is, and we are doing what we need to do so we are out
22 of this." Those are your words, right?

23 A. Yes.

24 Q. You're saying that David Beauchamp is not going
25 to be happy with the lack of progress on the forbearance

1 agreement?

2 A. Correct.

3 Q. And then Denny says to you "I have some legal
4 reporting obligations that are the real rub. I will see
5 what he has to say."

6 Is this referring to what Denny knows he
7 needs to disclose to his investors?

8 A. Yes.

9 Q. All right. And then there -- do you remember
10 this email back and forth?

11 A. Yes.

12 Q. Okay. So then you are talking about your
13 mother and tipping and those kinds of things. I'm not
14 going to ask about it.

15 Let's go back to the front page of Exhibit
16 550.

17 A. 550?

18 Q. Yeah. So it's the document that's the series
19 of emails we're talking about.

20 A. Okay.

21 Q. So on the first page of Exhibit 550, about
22 halfway up, you -- both of you are talking about tipping
23 and wages and those kinds of things. And you say "At
24 least if you can delay the reporting a little bit more
25 till the dealership opens, we can make real headway on

1 the workout."

2 A. Yes.

3 Q. And are you referring to Auto King, that auto
4 dealership?

5 A. Yes.

6 Q. When you say "reporting" -- "delay reporting,"
7 you are talking about reporting to investors?

8 A. Correct. Whatever it was that he has to file.
9 Whatever you want to call it.

10 Q. So you are wanting to delay even further what
11 Denny Chittick has done in terms of delaying telling the
12 investors what is going on in that POM?

13 A. I don't care what he does, but, for him, for
14 his own peace of mind, because that was a big deal to
15 him was reporting. This, his main concern was that if
16 he reports it, there's going to be a run on the bank.
17 If there is a run on the bank, how can he continue to
18 work out the workout. That was his issue.

19 Q. And then Denny Chittick says to you at 8:46
20 p.m. -- "That's what I have to find out is the timing of
21 the need to report and stay in compliance and be able to
22 show something that isn't scary enough to start a
23 stampede on the bank." Did I read the correctly?

24 A. Yes.

25 Q. And then you say "Hopefully you can show things

1 in general terms and not specific." What did you mean
2 by that?

3 A. I guess the big picture of everything.

4 Q. Because you're afraid the specifics might cause
5 him to be upset?

6 A. Yes. I didn't know. I didn't know how he was
7 taking all this.

8 Q. All right. And then you go on -- "He will say
9 no, but there is no choice right now." He will say no
10 to what?

11 A. Maybe he doesn't want to do the specific.
12 Maybe he wants details about everything.

13 Q. "He" being David Beauchamp?

14 A. I would think that's who I'm talking about.

15 Q. And you say "Remember, if you listened to him a
16 year ago, we would never be where we are now."

17 A. Correct.

18 Q. What are you saying there?

19 A. In the beginning, I think what he wanted to do
20 was -- I can't remember what advice he gave Denny in the
21 very beginning, but Denny was unhappy with it.

22 Q. You think it had to do with disclosing
23 information to the investors?

24 A. I don't recall. It might have.

25 Q. So what you're saying here is, if Denny had

1 followed David Beauchamp's advice to disclose to
2 investors a year ago, you wouldn't have made the
3 progress you had made?

4 A. We wouldn't have made the progress that we
5 made. I think that's what I'm saying. I don't remember
6 what I'm saying.

7 Q. The last comment by Denny Chittick to you is "I
8 will be as general as I can because I don't want to get
9 him on a roll."

10 Is that referring to getting him upset or
11 getting him starting to do his lawyer thing and charging
12 bills and that kind of thing?

13 A. Yes.

14 MR. STURR: Form.

15 A. Yes. About his lawyer fees. He was very into
16 his lawyer fees.

17 Q. (BY MR. DeWULF) Let's break for the day.
18 Mr. Ceballos has been patient with us. It takes a while
19 to get us out of here.

20 Thanks for your time and thanks for your
21 patience.

22 A. Thank you.

23 (Deposition concluded at 3:42 p.m.)

24

25

C E R T I F I C A T E

STATE OF TEXAS)
COUNTY OF EL PASO)

I, Rhonda McCay, Certified Shorthand Reporter in
and for the State of Texas, State of New Mexico and
Registered Professional Reporter, hereby certify that
this transcript is a true record of the said
proceedings, and that said transcription is done to the
best of my ability.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this
1st day of October, 2019.



Rhonda McCay, CSR, CCR, RPR
Texas Certification Number 4457
Date Of Expiration: 1/31/2021
REPORTERS INK, LLC
Firm Registration Number 420
221 N. Kansas, Suite 1101
El Paso, Texas 79901
Ph.: 915.544.1515



	CORRECTIONS AND SIGNATURE		
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1 I, YOMTOV SCOTT MENAGED, have read the
2 foregoing deposition and hereby affix my signature that
3 same is true and correct, except as noted above.

4

5

YOMTOV SCOTT MENAGED

7 THE STATE OF _____)

8 COUNTY OF _____)

9

10 Before me, _____, on this
11 day personally appeared YOMTOV SCOTT MENAGED known to me
12 (or proved to me under oath or through _____)
13 (description of identity card or other document) to be
14 the person whose name is subscribed to the foregoing
15 instrument and acknowledged to me that they executed the
16 same for the purposes and consideration therein
17 expressed.

18 Given under my hand and seal of office this
19 _____ day of _____, 2019.

20

21

NOTARY PUBLIC IN AND FOR
THE STATE OF _____

22

23

24 My commission expires: _____

25